santee cooper®

LIVING THE MISSION

Annual Report 2018

Table Of Contents

Letter from the Chairman and CEO

Santee Cooper was built on the mission of improving the lives of all South Carolinians. Many things have changed in the past 84 years, but one thing has not – Santee Cooper's employees continue to live our mission each and every day. We accomplish that by providing low-cost, reliable power and water with excellent customer service, practicing environmental stewardship, driving economic development, and supporting our communities and local schools through volunteerism and educational campaigns.

Last year signaled a year of recovery, giving Santee Cooper employees the opportunity to rise to many challenges and succeed in our mission. We began 2018 faced with a massive ice and snow storm on Jan. 3. In addition to the precipitation, Winter Storm Grayson delivered a string of days with below-freezing temperatures that affected some generating equipment. Station employees worked through extreme conditions to make sure we met customers' power needs throughout the event.

In addition, teams at our Energy Control and Distribution Control centers faced various challenges to the transmission and distribution systems. They, along with bulk power marketing, worked around the clock to secure sufficient energy to meet Santee Cooper's demands as we repaired lines and equipment to make sure electricity continued to flow to customers.

September brought another natural disaster in the form of Hurricane Florence, which lumbered into South Carolina on Sept. 14 as a tropical storm and heavy rainmaker. Employees quickly returned service to our transmission and distribution customers, including 50,310 retail customers, but Hurricane Florence also brought historic flooding and threatened the stability of the ash ponds at the former Grainger Generation Station, adjacent to the Waccamaw River in Conway. We have been excavating Grainger's two ash ponds since 2014 and had only 13 percent of the ash left to remove.

We needed to protect the Waccamaw River as the floodwaters rose. More than 290 employees from several departments took part in securing the ash pond dikes, preventing ash migration into the Waccamaw, monitoring conditions through visual inspections and water sampling, and communicating with officials and the public.

Employees worked for more than a month as the waters rose and slowly receded. The effort involved collaboration with several other organizations, including the South Carolina Department of Health and Environmental Control, the National Guard, the Waccamaw Riverkeeper, and others. In the end, we succeeded in containing the ash and protecting the Waccamaw.

It was also a year of recovery for the utility after the cancelation of the V.C. Summer nuclear expansion. Santee Cooper's Board and management team have remained focused through 2018 on controlling costs and offsetting debt related to the nuclear project. Santee Cooper remains on solid financial footing, and we have a plan to gradually pay off that debt while maintaining competitive rates.

Part of that plan includes continuing to optimize and execute the use of the Toshiba Corp. settlement proceeds to reduce customers' cost by defeasing current debt outstanding and paying capital expenditures; thus, foregoing new debt issues. The deployment of the $898.7 million settlement is projected to provide approximately $1.4 billion aggregate savings to our customers. To date, we have utilized $521.3 million to defease debt outstanding, resulting in a debt service savings of approximately $693.8 million. We have also spent approximately $167.3 million for capital expenditures prolonging the need to enter the bond market for new proceeds.

In addition, we took steps to preserve the high-value equipment on the construction site after majority owner SCE&G abandoned it in order to maximize our ability to recover costs through sale of that equipment. Internally we have identified areas to cut costs, such as not replacing many of the 150 employees who retired in 2018.

Santee Cooper is committed to helping customers utilize solar and become more energy efficient, which helps reduce costs for the customer and the utility. In 2008, our Board of Directors set a goal that we help customers achieve annual energy savings of 209 gigawatt hours, which equates to more than $250 million, through energy-efficiency programs by the end of 2020. We're proud to say we realized that goal two years ahead of schedule.

Santee Cooper's Reduce The Use programs have helped more than 73,000 of our approximately 185,000 residential and commercial direct-service customers save energy and money. The energy-efficiency programs offer customers a variety of rebates on products ranging from smart thermostats for their homes to lighting controls for their businesses. We also provide the Smart Energy Loan program, a low-interest loan that allows customers to make energy-efficiency upgrades such as high-efficiency electric heat pumps, duct replacements and heat pump water heaters. Additional energy savings come through our solar programs, whether customers install solar panels on their roofs or subscribe to Solar Share, the first community solar program in the state. From the new solar programs' inception in April 2016 through the end of 2018, 618 customers have participated.

Last year Santee Cooper increased our own solar generation when we opened the Bell Bay Solar Farm, with approximately 2 MW of power output generated by 5,904 solar panels, in Bucksville. Bell Bay has been designed to maximize solar energy output in the afternoon to coincide with the Grand Strand's peak energy usage. We engineered the tilt of the solar panels to take full advantage of the afternoon summer sun, when customers use the most electricity. We'll study the results of this new approach for future solar farms.

In addition, we began the process of permitting and building Jamison Solar Farm near Orangeburg and Runway Solar Farm near the Myrtle Beach International Airport. All of our recent solar farms have been built with the help of Green Power funds.

Part of Santee Cooper's mission involves promoting economic development to create jobs and capital investment for South Carolina. Our largest industrial commerce park to date, Berkeley County's Camp Hall, moved forward with an official groundbreaking ceremony in June. In addition to anchor tenant Volvo Car USA, which is already manufacturing automobiles there, Camp Hall has already attracted a logistics developer planning two speculative buildings. Camp Hall electric needs are served by Berkeley Electric Cooperative, Edisto Electric Cooperative and Santee Cooper.

The Board of Directors took steps to increase economic development efforts by expanding several existing loan and grant programs available to local governments and electric cooperatives, and creating new initiatives that will help move economic development forward throughout the state.

Santee Cooper has maintained high marks in reliability and customer satisfaction. Transmission reliability for 2018 was 99.9973 percent, meaning the average delivery point was without power for only 14.22 minutes for the year. Distribution reliability was 99.9961 percent, equating to the average customer being without power for only 20.6 minutes for the year. Our residential, commercial and industrial customer service satisfaction rates were above 90 percent, with our industrial customer satisfaction coming in at 100 percent.

As 2018 ended, a legislative committee was working through an evaluation of Santee Cooper and consideration of opportunities for privatization, with recommendations to the full legislature expected in 2019. Santee Cooper has cooperated fully in that process, providing information and answering questions in a timely manner, to help legislators arrive at the best decision for South Carolina.

As we look back at 2018, one additional accomplishment stands out: our employees achieved the strongest safety record to date. This is especially remarkable given the many challenges associated with weather. In fact, the September effort caused by Hurricane Florence produced a successful response with zero safety incidents.

Santee Cooper achieved much in 2018 thanks to our 1,653 employees, who work tirelessly for our customers and continue to support the communities in which they work and live. As we begin 2019, we remain focused on living the mission and doing the best we can for customers and the state of South Carolina.

Charlie Condon

Charlie M. Condon
Interim Chairman

James E. Brogdon

James E. Brogdon
Interim President and CEO

Corporate Statistics

System Data 2018

Miles of transmission system lines: ....**5,146**[1]

Miles of distribution system lines: **2,967**

Number of transmission substations: **106**

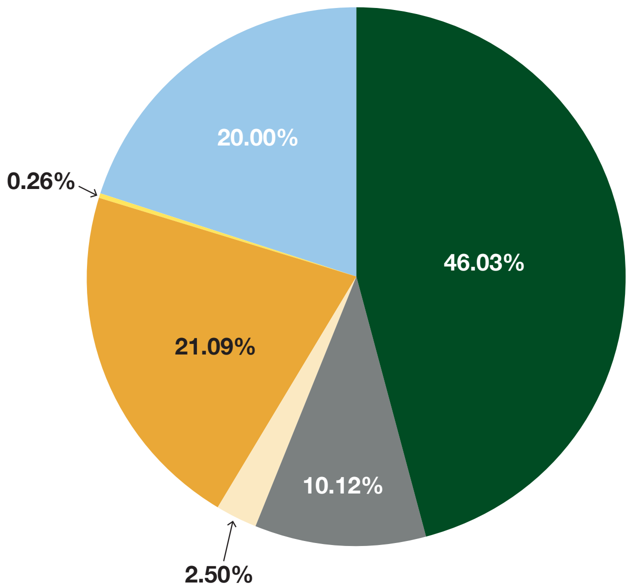
Number of distribution substations: **54**

Number of CEPCI Delivery Points (DPs): **465**

[1] Includes Central-owned transmission lines

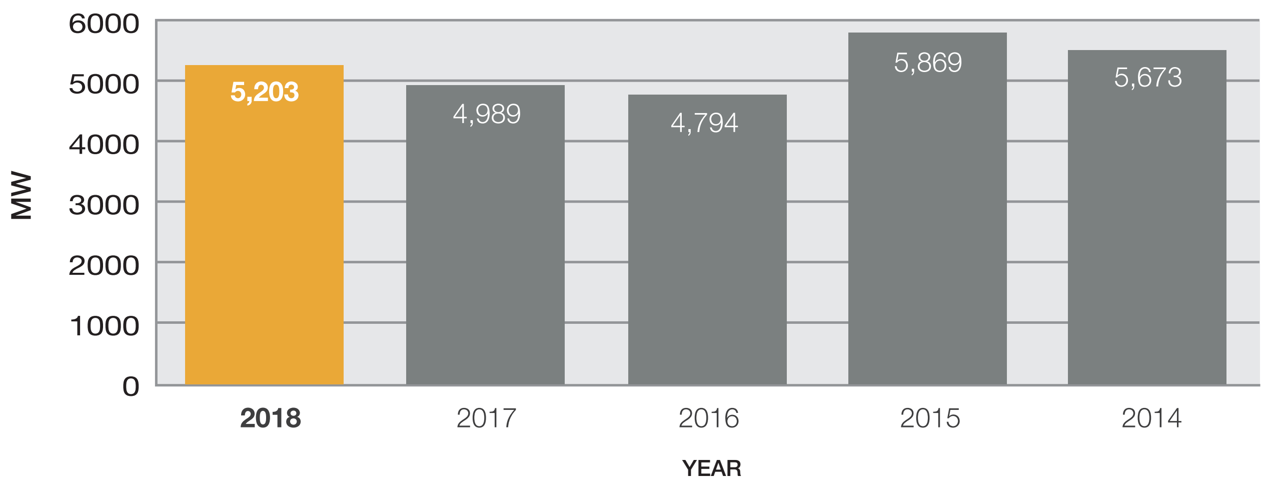
	2018	2017	2016	2015	2014
FINANCIAL (Thousands)					
Total Revenues & Income	**$1,963,805**	$1,732,327	$1,718,565	$1,842,541	$2,023,414
Total Expenses & Interest Charges	**$1,765,866**	$1,618,084	$1,604,119	1,781,591	1,894,217
Other	**($4,286)**	($5,561)	($6,708)	(6,435)	19,798
Reinvested Earnings	**$193,653**	$108,682	$107,738	54,515	148,995
OTHER FINANCIAL					
(Excluding CP and Other)					
Debt Service Coverage *(prior to Distribution to State)*	**1.54**	1.51	1.55	1.45	1.53
Debt / Equity Ratio	**75/25**	78/22	79/21	78/22	75/25
STATISTICAL					
Number of Customers (at Year-End)					
Retail Customers	**185,116**	180,658	176,748	174,023	171,567
Military and Large Industrial	**27**	26	27	27	28
Wholesale	**4**	4	4	4	4
Total Customers	**185,147**	180,688	176,779	174,054	171,599
Generation (GWh):					
Coal	**11,130**	9,589	12,347	12,832	16,607
Nuclear	**2,447**	2,296	2,886	2,366	2,297
Hydro	**603**	382	444	523	506
Natural Gas and Oil	**5,101**	5,783	4,834	6,212	3,821
Landfill Gas and Renewables	**62**	73	81	93	96
Total Generation (GWh)	**19,343**	18,123	20,592	22,026	23,327
Purchases, Net Interchanges, etc. (GWh)	**4,838**	4,980	3,433	4,987	4,738
Wheeling, Interdepartmental, and Losses	**(463)**	(324)	(325)	(515)	(712)
Total Energy Sales (GWh)	**23,717**	22,779	23,700	26,498	27,353
Summer Maximum Continuous Rating (MCR) Generating Capability (MW)	**5,112**	5,104	5,104	5,093	5,182
Territorial Peak Demand (MW)	**5,203**	4,989	4,794	5,869	5,673

2018 GENERATION BY FUEL MIX

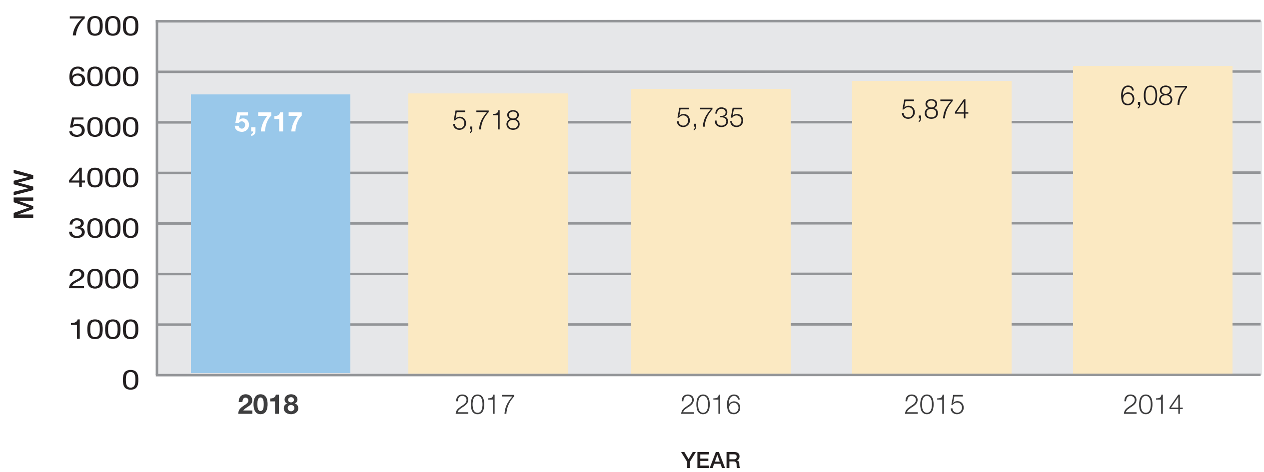


Source		GWh
Coal	46.03%	11,130
Nuclear	10.12%	2,447
Hydro	2.50%	603
Natural Gas & Oil	21.09%	5,101
Other Renewables	0.26%	62
Purchases (Net)	20.00%	4,838
	100.00%	24,181

PEAK DEMAND



TOTAL CAPABILITY (MCR) WITH FIRM PURCHASES



Audit Committee Chairwoman's Letter

The Audit Committee of the Board of Directors is comprised of independent directors Peggy H. Pinnell – Chairwoman, Charlie M. Condon – ex officio, William A. Finn, Merrell W. Floyd, Charles H. Leaird and Stephen H. Mudge.

The committee receives regular reports from members of management and Internal Audit regarding their activities and responsibilities.

The Audit Committee oversees Santee Cooper's financial reporting, internal controls and audit process on behalf of the Board of Directors.

Periodic financial statements and reports pertaining to operations and representations were received from management and the internal auditors. In fulfilling its responsibilities, the committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The committee discussed the company's financial statements and the adequacy of its system of internal controls. The committee met with the independent public accountants and with the General Auditor to discuss the results of the audit, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Peggy H. Pinnell
Chairwoman
2018 Audit Committee

Notes:
Chairman Condon joined the Santee Cooper Board of Directors and the Audit Committee on July 23, 2018. The term of the Board Chair expires on May 19, 2025. However, Chairman Condon was appointed as an Interim Appointment. Subsequently, on Jan. 29, 2019, he was renominated by the Governor to serve as Board Chair. He will serve as Interim Chairman until either the appointment is approved or until the end of the regular 2019 legislative session, whichever occurs first.

Director Leaird joined the Santee Cooper Board of Directors and the Audit Committee on June 28, 2018.

Director Wolfe resigned from the Santee Cooper Board of Directors on June 27, 2018.

This Page Intentionally Left Blank

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Carolina Public Service Authority (the "Authority") (a component unit of the State of South Carolina), as of December 31, 2018 and 2017, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 7 to the basic financial statements, significant events occurred in the prior year related to the Summer Nuclear Units 2 and 3 Project (the "Project"). The construction of the Project was suspended and the related capitalized assets were determined to be impaired and ultimately reclassified as a regulatory asset. In addition, a settlement was reached under a guarantee with the parent of the construction contractor, the amount of which has been classified under regulatory accounting as a deferred inflow. Also as result of the suspension of the Project, there is significant ongoing activity that is discussed in Notes 10 and 16 to the basic financial statements related to Legislative and Legal Matters. Our opinions are not modified with respect to these matters.

As discussed in Note 15 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.* As a result, the Board approved the use of regulatory accounting to offset the initial net OPEB liability. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplemental financial data as listed in the table of contents ("RSI") be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements of the Authority's business-type activities and fiduciary activities. The Chairman and CEO Letter, Corporate Statistics, Audit Committee Chairwoman's Letter, Leadership, and Office Locations, as listed in the table of contents of the annual report, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
February 28, 2019

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The South Carolina Public Service Authority ("the Authority" or "Santee Cooper") is a component unit of the State of South Carolina (the "State"), created by the State in 1934 for the purpose of providing and aiding interstate commerce, navigation, electric power and wholesale water to the people of South Carolina. The statute under which it was created provides that the Authority will establish rates and charges so as to produce revenues sufficient to provide for payment of all expenses, the conservation, maintenance and operation of its facilities and properties and the payment of the principal and interest on its notes, bonds, or other obligations; provided, however, that prior to putting into effect any increase in rates the Authority shall give at least a sixty-day notice of such increase to all customers who will be affected.

The Authority's assets include wholly owned and ownership interests in a variety of coal, natural gas, nuclear, hydro, biomass, landfill and solar generating units totaling 5,112 megawatts (MW) of summer power supply peak capability. This consists of 3,500 MW of coal-fired capacity, 1,117 MW of natural gas and oil capacity, 322 MW of nuclear capacity, 142 MW of hydro capacity, 29 MW of landfill methane gas capacity and 2 MW of solar capacity. The Authority implemented a plan in 2018 to un-idle Cross Unit 2 which was temporarily idled on March 1, 2017. In addition to its generation assets, the Authority may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to maximize the efficient use of generating resources, reduce operating costs and increase operating revenues. The Authority also operates an integrated transmission system which includes lines owned by the Authority as well as those owned by Central Electric Power Cooperative Inc. ("Central"), the Authority's largest wholesale customer.

Overview of the Financial Statements

This discussion serves as an introduction to the basic financial statements of the Authority to provide the reader with an overview of the Authority's financial position and operations. As discussed in the Notes to the Financial Statements (Note 1 - A "Reporting Entity"), the financial statements include the accounts of the Lake Moultrie and Lake Marion Regional Water Systems.

The Statements of Net Position – Business – Type Activities summarize information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

The operating results of the Authority are presented in the Statements of Revenues, Expenses and Changes in Net Position – Business – Type Activities. Revenues represent billings for electricity and wholesale water sales. Expenses primarily include operating costs and debt service related charges.

The Statements of Cash Flows – Business – Type Activities are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements related to cash provided by or used in operations, non-capital related financing, capital related financing and investing activities.

The Notes are an integral part of the Authority's basic financial statements and provide additional information on certain components of the financial statements.

FINANCIAL CONDITION OVERVIEW

The Authority's Statements of Net Position as of December 31, 2018, 2017 and 2016 are summarized below:

	2018	2017	2016
		(Thousands)	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Capital assets	**$ 5,056,884**	$ 4,832,022	$ 8,214,787
Current assets	**1,726,338**	2,618,394	2,779,166
Other noncurrent assets	**5,642,659**	5,510,276	1,244,276
Deferred outflows of resources	**239,411**	239,722	271,595
Total assets & deferred outflows of resources	**$ 12,665,292**	$ 13,200,414	$ 12,509,824
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Long-term debt - net	**$ 7,355,557**	$ 7,897,142	$ 8,134,916
Current liabilities	**700,887**	863,865	916,567
Other noncurrent liabilities	**1,345,046**	1,182,967	1,185,935
Deferred inflows of resources	**966,279**	1,135,173	242,070
Total liabilities & deferred inflows of resources	**$ 10,367,769**	$ 11,079,147	$ 10,479,488
NET POSITION			
Net investment in capital assets	**$ 1,955,185**	$ 1,523,505	$ 1,168,907
Restricted for debt service	**7,322**	32,430	39,158
Restricted for capital projects	**280**	1,284	1,663
Unrestricted	**334,736**	564,048	820,608
Total net position	**$ 2,297,523**	$ 2,121,267	$ 2,030,336
Total liabilities, deferred inflows of resources & net position	**$ 12,665,292**	$ 13,200,414	$ 12,509,824

2018 COMPARED TO 2017

The primary changes in the Authority's financial condition as of December 31, 2018 and 2017 were as follows:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total assets and deferred outflows of resources decreased $535.1 million during 2018 due to decreases of $892.1 million in current assets and $0.3 million in deferred outflows of resources. These decreases were offset by increases of $224.9 million in capital assets and $132.4 million in other noncurrent assets.

The increase in capital assets of $224.9 million was due to net construction work in progress additions of $253.6 million partially offset by a net decrease in utility plant of $26.9 million. The increase resulted from additions to solid waste landfills, the Rainey Generating Station's contract service agreement and the Pomeria-Orangeburg transmission line.

The decrease in current assets of $892.1 million was primarily due to decreases in unrestricted cash and investments as well as restricted cash and investments of $522.7 million and $162.4 million, respectively. These decreases were for debt service payments, funding the current year cash defeasances and capital expenditures. Also contributing were decreases of $183.4 million in fossil fuel inventory primarily due to lower coal purchases during 2018, $43.2 million in prepaid expenses and other current assets largely due to the current year amortization of a portion of the remaining balance of assets from a cancelled coal-fired generation project in Florence County, South Carolina. These decreases were offset by an increase in regulatory assets – nuclear of $14.4 million. The remaining $5.2 million was an increase resulting from the net change in receivables, materials inventory, nuclear fuel and interest receivable.

The increase in other noncurrent assets of $132.4 million was primarily due to an increase in the regulatory asset for OPEB of $138.6 million as a result of implementation of GASB 75.

Liabilities, Deferred Inflows of Resources & Net Position

Liabilities & deferred inflows of resources decreased $711.4 million due to decreases of $541.6 million in long-term debt, $163.0 million in current liabilities and $168.9 million in deferred inflows of resources. These increases were offset by increases of $162.1 million in other noncurrent liabilities.

Net long-term debt decreased $541.6 million primarily due to a cash defeasance of $357.7 million of bonds as well as $66.1 million for transfers to current portion of long-term debt. Unamortized debt discounts and premiums decreased $30.4 million for amortization of discounts and premiums and $13.9 million in removals from defeasance activity. Further decreases were provided by transfers of $76.2 million of long-term revolving credit agreements to short-term revolving credit agreements.

The decrease in current liabilities of $163.0 million was due to decreases in short-term revolving credit agreements of $132.8 million and accounts payable of $73.4 million. These decreases were offset by increases of $14.9 million in current portion of long-term debt and $29.4 million in commercial paper.

The increase in other noncurrent liabilities of $162.1 million was primarily due to the increase in the OPEB liability of $158.2 million recorded as a result of the implementation of GASB 75.

Deferred inflows of resources decreased $168.9 million largely due to amortization of $165.9 million of the Regulatory Inflows - Toshiba Settlement to align with utilizing settlement funds to fund the current year debt defeasances.

The increase in net position of $176.3 million was mainly due to increases in net investment in capital assets of $431.7 million. Offsets to these increases were decreases in unrestricted of $229.3 million as well as decreases in restricted for debt service of $25.1 million due to changes in accrued interest on long-term debt and reductions in the bond and debt service funds.

2017 Compared to 2016

The primary changes in the Authority's financial condition as of December 31, 2017 and 2016 were as follows:

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased $690.6 million during 2017 due to increases of $4.266 billion in other noncurrent assets. These increases were offset by decreases of $3.383 billion in capital assets, $160.8 million in current assets and $31.9 million in deferred outflows of resources.

The decrease in capital assets of $3.383 billion was primarily due to the reclassification of impaired nuclear assets from construction work in progress (CWIP) of $4.211 billion to a regulatory asset as a result of the suspension of construction of Summer Nuclear Units 2 and 3. These decreases were offset by increases in utility plant of $248.5 million and CWIP of $743.0 million.

The decrease in current assets of $160.8 million was due to a decrease of $112.1 million in fossil fuel inventory primarily due to lower coal purchases during 2017. Prepaid expenses and other current assets decreased $31.9 million primarily due to the current year amortization of a portion of the remaining balance of assets from a cancelled coal-fired generation project in Florence County, South Carolina. The remaining $16.8 million was a decrease resulting from the net change in receivables, materials inventory, nuclear fuel and interest receivable.

The increase in other noncurrent assets of $4.266 billion was primarily due to the reclassification of impaired nuclear CWIP to a regulatory asset as a result of the suspension of construction of Summer Nuclear Units 2 and 3.

The decrease in deferred outflows of resources of $31.9 million was largely due to the decrease of $21.7 million in unamortized loss on refunded and defeased debt, which resulted from amortization in 2017. Also contributing was pension related deferred outflows of $10.5 million from the Authority reporting its share of pension deferrals. Other changes resulted in a $300,000 increase.

Liabilities, Deferred Inflows of Resources & Net Position

Liabilities & deferred inflows of resources increased $599.7 million due to increases of $893.1 million in deferred inflows of resources. These increases were offset by decreases of $237.8 million in long-term debt-net; $52.7 million in current liabilities; and $3.0 million in other noncurrent liabilities.

Net long-term debt decreased $237.8 million due to a $157.1 million cash defeasance of bonds as well as $43.1 million for transfers to current portion of long-term debt. Unamortized debt discounts and premiums decreased $36.5 million for amortization of discounts and premiums and $5.7 million in removals from refunding activity. Somewhat offsetting this was a net increase of $1.5 million on the long-term revolving credit agreement due to current year draws and increase in accretion of $3.1 million on mini bonds.

The decrease in current liabilities of $52.7 million was due to decreases in commercial paper of $255.4 million and the current portion of long-term debt of $85.5 million. These decreases were offset by increases of $219.0 million in short-term revolving credit agreements and $70.7 million in accounts payable. Further reductions of $1.5 million were due to the residual changes in the other accounts in this category.

The decrease in other noncurrent liabilities of $3.0 million was due to a lower asset retirement obligation of $9.9 million. Partially offsetting this were increases in pension liabilities of $13.8 million. Net decreases of $6.9 million among the remaining accounts make up the residual variance.

Deferred inflows of resources increased $893.1 million due to recording of an $898.2 million regulatory deferred inflow for the Toshiba Settlement and increases of $8.3 million in nuclear decommissioning costs from market value adjustments, amortization and interest accruals associated with decommissioning funds. Partially offsetting these increases were $4.6 million lower accumulated increase in fair value of hedging derivatives and pension related deferred inflows of $8.8 million from the Authority's share of pension deferrals.

The increase in net position of $90.9 million was mainly due to increases in net investment in capital assets of $354.6 million. Partially offsetting these increases were decreases in unrestricted of $256.6 million as well as decreases in restricted for debt service of $6.7 million due to changes in accrued interest on long-term debt and reductions in the bond and debt service funds. Further reductions of $400,000 were due to the residual changes in the other accounts in this category.

RESULTS OF OPERATIONS

Santee Cooper's Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2018, 2017 and 2016 are summarized as follows:

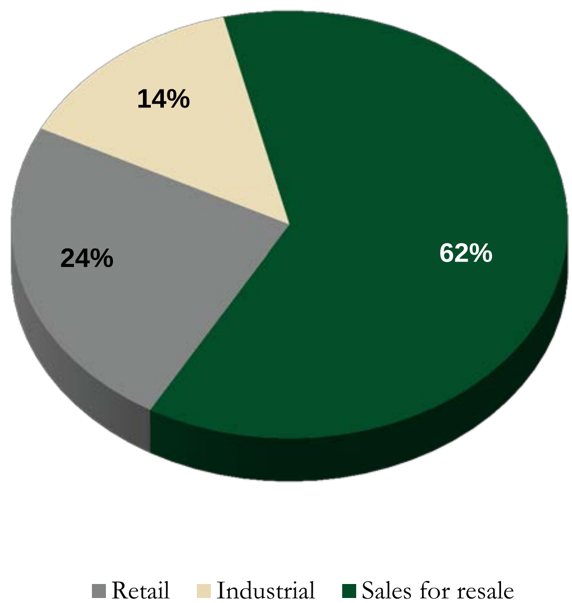
		2018		2017		2016
				(Thousands)		
Operating revenues	**$**	**1,806,620**	$	1,756,983	$	1,745,657
Operating expenses		**1,400,061**		1,357,171		1,374,942
Operating income		**406,559**		399,812		370,715
Interest expense		**(365,805)**		(260,909)		(229,177)
Costs to be recovered from future revenue		**(4,286)**		(4,339)		(6,708)
Other income (expense)		**157,185**		(25,882)		(27,092)
Capital contributions & transfers		**(17,397)**		(17,751)		(19,192)
Change in net position	**$**	**176,256**	$	90,931	$	88,546
Net position - beginning of period as previously reported		**2,121,267**		2,030,336		1,941,790
Ending net position	**$**	**2,297,523**	$	2,121,267	$	2,030,336

2018 Compared to 2017

Operating Revenues

As compared to 2017, operating revenues increased $49.6 million (3%) primarily due to higher energy sales (4%) largely resulting from cold weather in January due to winter storm Grayson. Also contributing to the increase in operating revenues were higher wholesale demand and fuel rates. Somewhat offsetting these increases were lower rates from the Central Cost of Service largely due to higher usage and lower overall non-fuel operating and maintenance costs. Energy sales for 2018 totaled approximately 23.7 million megawatt hours (MWhs) as compared to approximately 22.8 million MWhs for 2017.

2018 Revenues from Sales of Electricity*
by Customer Class

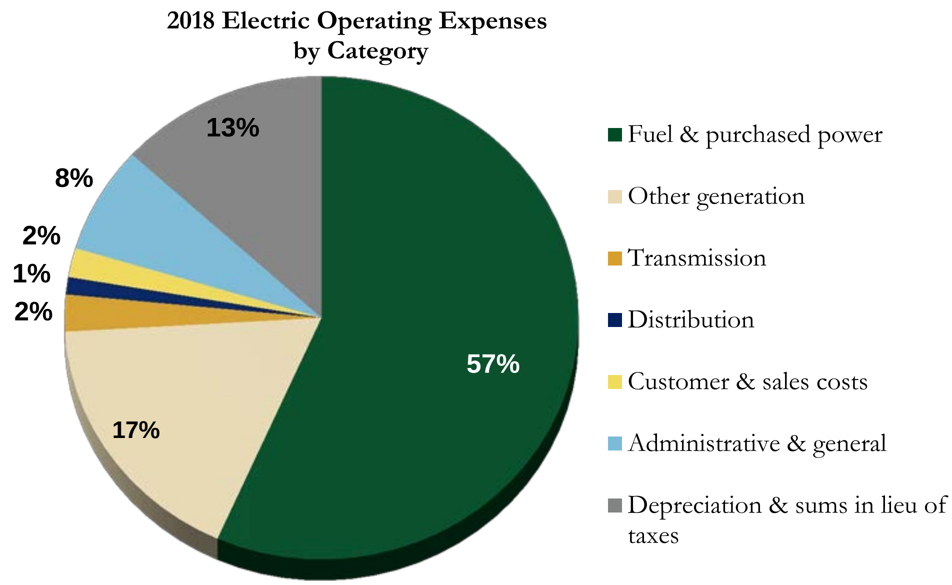


		2018		2017		2016
Revenues from Sales of Electricity*				(Thousands)		
Retail	**$**	**428,820**	$	407,752	$	406,246
Industrial		**245,117**		235,068		234,463
Sales for resale		**1,106,826**		1,089,472		1,080,399
Totals	**$**	**1,780,763**	$	1,732,292	$	1,721,108

*Excludes interdepartmental sales of $555 for 2018, $530 for 2017 and $524 for 2016.

Operating Expenses

Operating expenses for 2018 increased $42.3 million (3%) as compared to 2017. The main drivers were fuel cost and purchased power expense which increased by $32.8 million due to higher kWh sales, higher natural gas prices and a shift in generation mix. Also contributing to the increase in operating expenses were other generation costs of $14.4 million from: contract services primarily from Fluor charges to maintain Summer Nuclear Units 2 and 3 and a higher number of outages than prior year; and Summer nuclear expenses which resulted from higher labor costs due to the absorption of Summer Nuclear Units 2 and 3 employees, as well as a prior year Department of Energy reimbursement for spent fuel movement. Somewhat offsetting these increases were lower sales promotion of $6.7 million from higher accrual of Santee Cooper Economic Development Investment Fund and Site Readiness Funds in the prior year.



		2018		2017		2016
Electric Operating Expenses				(Thousands)		
Fuel & purchased power	**$**	**793,456**	$	760,696	$	775,737
Other generation		**239,155**		224,748		238,912
Transmission		**33,524**		32,762		33,767
Distribution		**18,275**		15,379		15,865
Customer & sales costs		**20,311**		28,112		26,636
Administrative & general		**99,324**		105,647		98,006
Depreciation & sums in lieu of taxes		**189,795**		184,203		180,725
Totals	**$**	**1,393,840**	$	1,351,547	$	1,369,648

Net Below the Line Items

- Other income increased $183.1 million mainly from the amortization of the regulatory inflows – Toshiba Settlement to align with the use of the funds from the Toshiba Settlement Agreement to fund debt defeasance and capital expenditures.
- Interest expense for 2018 was $104.9 million higher primarily due to 2017 cessation of capitalized interest associated with the suspension of Summer Nuclear Units 2 and 3.
- Capital contributions and transfers represent dollars paid to the State. This payment, which is based on a percentage of total budgeted revenues was in-line with the prior year.

2017 Compared to 2016

Operating Revenues

As compared to 2016, operating revenues increased $11.3 million (1%) primarily due to higher wholesale demand, fuel and energy-related fixed cost rates as well as the retail base rate adjustments that went into effect April 1, 2017. Impacts between the 2016 and 2017 Central Cost of Service adjustments also added to this increase. Lower energy sales (4%) resulting from milder weather and the combined reduced load from industrial and wholesale customers somewhat offset these increases. Energy sales for 2017 totaled approximately 22.8 million megawatt hours (MWhs) as compared to approximately 23.7 million MWhs for 2016.

Operating Expenses

Operating expenses for 2017 decreased $17.8 million (1%) as compared to 2016. The main driver was fuel and purchased power expense which decreased by $15.0 million due to lower kWh sales, higher commodity prices in the prior year and a shift in economic dispatch due to lower prices in the energy markets. Also contributing were decreases in non-fuel generation of$14.2 million from contract services and materials primarily due to a planned spring outage at Winyah Generating Station not occurring in 2017. Somewhat offsetting these decreases were higher administrative and general costs of $7.6 million from labor and contract services. Other smaller variances $3.8 million netted an increase and were spread among the remaining cost categories.

Net Below the Line Items

- Other income increased by $1.2 million primarily due to an increase in the fair value of investments and a decrease in the loss realized on sale of coal due to the remainder of the Jefferies Generating Station coal sale being finalized in 2016.
- Interest expense for 2017 was $31.7 million higher primarily due to a current year decrease in capitalized interest associated with Summer Nuclear Units 2 and 3.
- Cost to be recovered ("CTBR") decreased $2.4 million.
- Capital contributions and transfers represent dollars paid to the State. This payment, which is based on a percentage of total budgeted revenues, decreased by $1.4 million due to lower revenues in the 2017 budget as compared to the 2016 budget.

ECONOMIC CONDITIONS

The Authority and the electric industry continue to face economic and industry challenges that impact the competitiveness and financial condition of the utility. As market conditions fluctuate, the Authority's mission continues to be to deliver low-cost and reliable electricity and water to its customers.

To address these challenges, the Authority has developed business growth initiatives that revolve around four strategic initiatives - marketing, product development, project management and competitive rates. The Authority is marketing industrial and commercial properties that are served directly by the Authority and its Electric Cooperative partners and municipal customers. Product development activities include the creation and/or improvement of industrial properties, the acquisition of property, expansion of infrastructure into funding for industrial properties, and/or constructing buildings for industrial use. Since June 2012, the Authority has invested over $93.5 million throughout South Carolina in product development activities through low-interest revolving loans to public entities. In addition, the Authority created two additional funds to further improve the readiness of industrial sites in the Electric Cooperatives' and municipal customers' territories, directly or indirectly served by Santee Cooper. Approvals through 2018 total more than $11.0 million from the municipal site readiness fund and over $23.0 million from the South Carolina Power Team Site Readiness Fund. Funding for these programs was extended through 2020 by the Authority's Board of Directors.

In May 2015, Swedish automaker Volvo announced that it would build its first U.S. factory in Berkeley County, S.C., spending up to $500.0 million on a plant with an initial capacity of 100,000 vehicles a year. The Authority worked with the State, Berkeley County and the Electric Cooperatives to recruit Volvo to this site. The manufacturing site is served by Edisto Electric Cooperative, a member of Central. In September 2017 Volvo announced a $500.0 million expansion of the plant that included an additional 1,900 jobs bringing the total capital investment to $1.0 billion and 3,900 jobs. Volvo began full production of their first American made car in 2018 and Volvo is on schedule to begin production from the announced expansion in 2021. The Authority owns approximately 3,900 acres adjacent to the Volvo site and is currently developing the property according to the master plan as an industrial park. The Volvo project, as well as the industrial park development, is proceeding as planned.

The Authority's commitment to economic development efforts along with the State and support of its Electric Cooperatives also brought additional announcements of business growth projects during 2018, including JW Aluminum's expansion of its current operations and Evanesce Packaging Solutions, Inc. plans to locate its first large-scale projection operations in the United States in Colleton County, South Carolina.

The Authority's largest customer, Central, accounted for 58.6 percent of sales revenues in 2018. Central provides wholesale electric service to each of the 20 distribution cooperatives which are members of Central pursuant to long-term all requirements power supply agreements. In September 2009, Central and the Authority entered into an agreement ("September 2009 Agreement") that, among other things, allowed Central to transition the portion of power and energy requirements of the five former Saluda members, the ("Upstate Load"), directly connected to the transmission system of Duke Energy Carolinas, LLC to another supplier. In January 2013, Central began transitioning the Upstate Load to Duke Energy Carolinas, a subsidiary of Duke Energy Corporation, ("Duke"). The load transition was complete on January 1, 2019 and amounted to approximately 900 MW. Nothing precludes the Authority from serving this load when the Duke agreement ends on December 31, 2030.

In May 2013, the Authority and Central agreed to extend their termination rights as noted in the September 2009 Agreement until December 31, 2058, ("Coordination Agreement"). Under the Coordination Agreement 10-year rolling notice provision, for a termination date of December 31, 2058, a party must give notice of termination no later than December 31, 2048. Central has entered into requirement agreements with all 20 of its member cooperatives that extend through December 31, 2058 and obligate those members to pay their share of Central's costs, including costs paid under the Coordination Agreement. Certain matters between the Authority and Central relating to the nuclear project are the subject of litigation, however, the parties continue to conduct business pursuant to the terms of the Coordination Agreement.[1]

---

[1] See Footnote 10 – Legal Matters for a description of a litigation under the subheading *"Jessica S. Cook et al. v. Santee Cooper, Santee Cooper's Board of Directors (certain former and current Directors named), SCE&G, Palmetto Elec. Coop., & Central Elec. Pwr. Coop"* for a description of Central's cross-claim against the Authority seeking, among other things, (i) a declaratory judgment that Santee Cooper breached the Coordination Agreement and (ii) an award of 70% of the lump sum payment Santee Cooper received from Citibank, N.A. under the Assignment and Purchase Agreement described under Footnote 7 – Summer Nuclear Station – Summer Nuclear Units 2 and 3.

Legislative Matters

On June 29, 2018, the South Carolina General Assembly ("General Assembly") ratified a State budget for FY 2018-2019, which runs from July 1 to June 30. The State budget included a proviso addressing Santee Cooper, also known as the South Carolina Public Service Authority. Part 1B Proviso 117.162 established a Public Service Authority Evaluation and Recommendation Committee ("Evaluation Committee") comprised of the Governor, four SC Senators and four SC House Members.

An objective of the Evaluation Committee is to determine a manner in which the General Assembly may best protect ratepayers and taxpayers in regard to Santee Cooper. This includes analyzing whether selling Santee Cooper is in the best interest of the State and Santee Cooper's customers or whether Santee Cooper should be retained by the State.

From August 7, 2018 to February 6, 2019, the Evaluation Committee held six meetings. The Evaluation Committee hired ICF International, Inc. ("ICF") to assist the Evaluation Committee with its review and to facilitate a process to receive and evaluate non-binding indicative bid proposals for the full purchase of Santee Cooper, to receive alternative proposals, and to conduct a valuation of Santee Cooper. On February 1, 2019, ICF issued its report to the Evaluation Committee. The SC General Assembly is now expected to continue its review of Santee Cooper which includes, among other things, the consideration of various alternatives for Santee Cooper such as managing or restructuring Santee Cooper or selling portions of its assets.

On February 21, 2019, the South Carolina Senate announced the creation of the Select Committee on Santee Cooper. The Senate has not yet set a date for the first meeting of the Select Committee.

The General Assembly is scheduled to meet from January 8, 2019 to May 9, 2019. Legislation may be introduced that impacts Santee Cooper's operations. Santee Cooper will be educating and informing the General Assembly of the impact of any relevant legislation that may impact its customers and operations.

Capital Improvement Program

The purpose of the capital improvement program is to continue to meet the energy and water needs of the Authority's customers with economical and reliable service. The Authority's three-year budget for the capital improvement program approved in 2018, 2017 and 2016 was as follows:

Approved in:	**2018**	2017	2016
	Budget 2019-21	Budget 2018-20	Budget 2017-19
Capital Improvement Expenditures		(Thousands)	
Environmental compliance [1]	**$ 188,699**	$ 333,534	$ 582,922
General improvements and Other [2]	**559,519**	533,021	1,048,474
Summer Nuclear Units 2 and 3 [3]	**0**	6,994	2,222,554
Totals	**$ 748,218**	$ 873,549	$ 3,853,950

(1) The Coal Combustion Residual and Steam Electric Effluent Limitation regulations are undergoing agency review and court challenges.
Given the significant uncertainty about the outcome and eventual requirements, Budget 2019-21 does not reflect all potential costs at this time.

(2) Other includes Camp Hall and renewables.

(3) Construction suspended in July 2017. Budget, 2018-20 reflects ramp down cost estimates in year 2018.

As determined by the Authority, the capital improvement program will be funded from revenues, additional revenue obligations, commercial paper, internal funding sources and other short-term obligations.

Summer Nuclear Units 2 and 3

Engineering, Procurement and Construction Agreement and Project History. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority (together, the "Owners"), entered into an Engineering, Procurement, and Construction Agreement (the "EPC Agreement"), with a consortium consisting of Westinghouse and Stone & Webster, Inc. (the "Consortium"). Pursuant to the EPC Agreement, the Consortium would supply, construct, test, and startup two 1,117 MW nuclear generating units utilizing Westinghouse's AP 1000 standard plant design. The EPC Agreement included substantial completion dates of April 2016 and January 2019 for Summer Nuclear Units 2 and 3 (the "Project" or "Summer Nuclear Units 2 and 3"), respectively.

On October 20, 2011, the Owners entered into a Design and Construction Agreement specifying an Authority ownership interest of 45% in each of Summer Nuclear Unit 2 and Summer Nuclear Unit 3. Among other things, the Design and Construction Agreement allowed either or both parties to withdraw from the project under certain circumstances. The Authority and SCE&G also entered into an Operating and Decommissioning Agreement on October 20, 2011 with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement defined the conditions under which the Authority or SCE&G could convey an undivided ownership interest in the units to a third party.

On December 30, 2011 the Nuclear Regulatory Commission ("NRC") approved the AP 1000 standard plant design (DCD Revision 19) for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC issued the Combined Construction and Operating Licenses (the "COLs") with certain conditions for Summer Nuclear Units 2 and 3.

On October 27, 2015, the Owners executed a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent in connection with an amendment to the EPC Agreement. The amended EPC Agreement, which became effective on December 31, 2015, included, among other things, an irrevocable option (the "Fixed Price Option") which SCE&G executed on behalf of the Owners on July 1, 2016, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the Project (excluding a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at $6.082 billion (Authority's 45% portion being $2.737 billion), subject to adjustment for amounts paid since June 30, 2015. The amended EPC Agreement also provided for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations (the "Guaranty") and revised the substantial completion dates of Units 2 and 3 to August 31, 2019 and August 31, 2020, respectively.

Toshiba Financial Difficulties/Westinghouse Bankruptcy. In late 2015, following disclosures regarding its operating and financial performance and near-term liquidity, Toshiba Corporation's ("Toshiba") credit ratings declined to below investment grade. Pursuant to the terms of the EPC Agreement, the Owners obtained payment and performance bonds from Westinghouse in the form of standby letters of credit totaling $45.0 million (the Authority's 45% share is $20.3 million).

On December 27, 2016, Toshiba announced financial difficulties related to the goodwill associated with the Westinghouse acquisition of Stone & Webster. Following several announcements and related media reports, on February 14, 2017, Toshiba, the parent company of Westinghouse and the guarantor of its financial and performance obligations with respect to the EPC Agreement, announced that it preliminarily recorded a multi-billion dollar impairment loss associated with the construction of Summer Nuclear Units 2 and 3 and the two additional AP1000 units being constructed by Westinghouse for another company in the United States (Plant Vogtle). The impaired goodwill resulted from Westinghouse's analysis that the cost to complete the four Westinghouse AP1000 new nuclear plants in the United States would far surpass the original estimates for construction. Toshiba attributed the cost overruns to, among other things, higher labor costs arising from lower than anticipated work efficiency and the inability to improve such work efficiency over time. On April 11, 2017 Toshiba released their unaudited quarterly securities report for the period covering April 1, 2016 to December 31, 2016 showing a loss of 532 billion Yen (US $4.800 billion).

On March 29, 2017, Westinghouse and 29 affiliated companies filed a Petition pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of New York. This Petition allowed for a transition and evaluation period during which the Owners would assess information provided by Westinghouse and determine the most prudent path forward for the project. After the filing of the bankruptcy proceeding, the Owners entered into negotiations with Toshiba Corporation for the purpose of acknowledging and defining Toshiba's obligation under Toshiba's May 23, 2008 Guaranty and establishing a schedule for the full payment of that obligation to the Owners.

Toshiba Settlement Agreement (the "Settlement Agreement" or "Toshiba Settlement Agreement"). On July 27, 2017 the Owners and Toshiba entered into a Settlement Agreement that provided, among other things: A) Toshiba's agreement that it would pay the Guaranty obligation in the amount of $2.168 billion (Authority's 45% share was $975.6 million) , in accordance with a schedule set forth in the Settlement Agreement; B) Toshiba's agreement that payment of the Guaranty obligation and related payment schedule would not be dependent on whether one or both of the two units are completed; C) Toshiba's agreement that the Owners' were not releasing any claims or rights against Westinghouse; D) Toshiba's agreement not to subordinate the Guaranty obligations except to working capital lenders and other relationships necessary to continue and enhance its financial condition; E) Toshiba, Westinghouse, and the owners of the Vogtle and Summer Nuclear AP1000 Project's agreement to become parties to a consent order in the Bankruptcy Court that approves assignment by Toshiba to the Summer Nuclear and Vogtle owners of all rights to the non-U.S. assets in the Westinghouse family of companies owned by Toshiba, any of Toshiba's rights against Westinghouse relating to loans, and similar receivables; F) agreement by the parties to the Settlement Agreement to work towards an expeditious sale of Westinghouse; G) the Owners' agreement that the distribution proceeds received from the Westinghouse bankruptcy would be a credit against the Guaranty; and H) the Owners' agreement not to exercise remedies of the Guaranty, absent a default, until September 2022.

On September 1, 2017, the Owners filed two proofs of claim in unliquidated amounts in the Westinghouse Bankruptcy Proceeding.

On September 27, 2017, the Owners entered into an Assignment and Purchase Agreement under which they sold and assigned rights to receive payment under the Settlement Agreement and rights, duties and obligations arising under two proofs of claim filed in the Westinghouse Bankruptcy Proceeding to Citibank, N.A., in exchange for a purchase price in the amount of $1,847,075,400. The Authority's share of the purchase price was $831,183,930. Excluded from the sale was the first $150.0 million (Authority's 45% share was $67.5 million) payment under the Toshiba Settlement Agreement, which was received by the Owners.

On January 2, 2018, the Owners entered into Amendment No. 1 of the Settlement Agreement and Amendment No. 1 of the Assignment and Purchase Agreement, which amendments had the effect of capping at $60.0 million the Owners' current obligation to reimburse Citibank, N.A. for payments from the Westinghouse Estate that had the effect of reducing mechanics liens at the site (Authority's 45% share is $27.0 million).

Developments in the Westinghouse Bankruptcy Proceeding. On March 28, 2018, the United States Bankruptcy Court for the Southern District of New York issued its order confirming Westinghouse Electric Company's Modified Second Amended Joint Chapter 11 Plan of Reorganization. The plan provides for, among other things, the sale of Westinghouse to Brookfield Business Partners, L.P. for $4.6 billion, a sale that closed on August 1, 2018.

The plan also provides for payment to allowed general unsecured creditors in an amount equal to the lesser of (i) its pro rata share of certain funds; or (ii) 100% of the amount of the allowed claim. Claims by those providing materials and services at the site have been classified under the plan as general unsecured creditors. Payments from the Westinghouse Estate that have the effect of reducing mechanics liens at the site have the potential to increase amounts that must be paid by the Authority to reimburse CITIBANK.

On December 15, 2018, an initial distribution was made to general unsecured creditors equaling about 25% of the allowed amount of each claim. The total amount of the allowed general unsecured claim pool is not currently known, but the size of that pool plays a significant factor in determining the amount each allowed general unsecured creditor will be paid. It is currently anticipated that allowed general unsecured creditors will receive full or substantially full payment; however, that cannot yet be confirmed as payment of allowed general unsecured claims will not be completed until the later part of 2019.

Cost to Complete and Construction Suspension. Beginning in late March 2017, the Owners formed an independent team led by the SCE&G construction manager to undertake a rigorous Estimate-to-Complete ("ETC") validation process, including the costing/scheduling expertise of High Bridge Associates and the expertise of AECOM Energy & Construction Inc. in the area of salvage, site restoration and preservation. The process began with gathering and validating information and data received from Westinghouse and Fluor, and creating a new schedule model using Owner, Fluor and Westinghouse schedules. On a parallel track and during the same time frame, the Authority retained nFront Consulting LLC to undertake an assessment of the projected cost of power from Summer Nuclear Units 2 and 3 if completed, compared to other alternatives in meeting future energy needs of the Authority.

Based upon the ETC validation process, management of the Authority found the results of the ETC validation process adequate to determine the viability of the Project; those results estimating the schedule to complete Unit 2 would be delayed at least 40 months beyond the August 2019 contract completion date, and the estimated schedule to complete Unit 3 would be delayed at least 43 months beyond the August 2020 contract completion date. Based on both studies, the estimated cost to the Authority to complete both units, including construction period interest, increased from $8.100 billion to $11.400 billion, and the cumulative average system cost of power would be substantially higher if one or both units were completed as compared to suspending construction.

On July 31, 2017, the Board of Directors of the Authority, by Resolution authorized the President and CEO, among other things, to immediately begin taking those actions necessary to wind-down and suspend construction on the two 1,100 MW nuclear units at the Summer Nuclear site in Fairfield County, and protect and preserve both the site and related plant components and equipment. That resolution contemplated the establishment of a Project construction cessation plan and process of seeking additional support for the Project to remain in place for up to a period of one year from the date of the Resolution. There are currently no legal or regulatory requirements for the site to be maintained or restored to its original condition. As such, no removal or restoration costs have been accrued.

Upon suspending the Project, and in accordance with GASB 62, the Authority ceased capitalizing interest expense on the debt incurred to fund the Project as of July 31, 2017.

As of December 31, 2017 the Owners identified assets that could be utilized at Summer Nuclear Unit 1, consisting of various buildings and structures totaling $44.8 million (Authority's 45% share). These assets were transferred to Summer Nuclear Unit 1, and as a result in the difference of ownership percentage, the assets were recorded on Unit 1 at $32.8 million (Authority's 33.33% share) and a receivable in the amount of $12.0 million was recorded on the Authority's books. In April 2018, the Authority received payment of $11.4 million to complete the transaction for the assets transferred to Summer Nuclear Unit 1. As of December 31, 2018, the Owners agreed to a reduction in the Authority's ownership of the switchyard at the Summer Nuclear site from 32.19% to 27.08%. As a result, a receivable in the amount of $2.7 million was recorded on the Authority's books. In addition, the Authority constructed transmission assets concurrently with the Project. These assets, which include switchyard costs, total $212.8 million at December 31, 2018, and will be utilized to enhance the Authority's transmission system.

Impairment of Project Assets. With suspension of the Project construction, the Authority sought additional project partners and financial support. South Carolina's Governor indicated that he contacted a number of companies inquiring about their interest in purchasing or partnering in the Project. As of December 31, 2017 the Authority had not received or been informed of any proposal to purchase the Project or partner in the Project. As such an evaluation was conducted to determine whether the assets were impaired. In accordance with GASB 42, the assets are impaired based on A) the decline in service utility of the capital asset is large in magnitude and B) the event or change in circumstance is outside the normal life cycle of the capital asset. While the Project could be completed at some point in the future, the Authority had no near-term plans to complete the Project. Except for the assets described above that will be utilized at Summer Nuclear Unit 1 or used to enhance the Authority's transmission system, the remaining Project assets, including the nuclear fuel, were determined to be impaired.

In addition to the lack of proposals by a third party to purchase or partner in the Project, the Authority also considered several other items in order to determine the fair value of the impaired assets.

The AP1000 is a new technology. There are no completed AP1000s in the United States and only two other units under construction in the United States. There was not an active liquid market for the purchase of these partially completed units.

SCE&G obtained several estimates of the salvage value of the remaining Project assets. The highest estimate was for approximately $150.0 million (Authority's share of this would be 45%). Westinghouse cited contractual provisions that it believes indicate that the Owners may not have unencumbered title to the proceeds of the sale of the assets. Should the sale of the assets move forward, a final determination regarding ownership of the sale proceeds might be delayed.

On December 27, 2017 SCE&G, based on the decision to abandon the Project, submitted a letter request to the NRC for approval to withdraw the COLs for Summer Nuclear Units 2 and 3. On January 8, 2018, the Authority submitted a letter in response to this request in which the Authority requested, among other things, that the NRC not take action for 180 days or until such time that the Authority could evaluate any risks it could incur by taking on the nuclear licenses.

Based on these considerations the Authority determined a fair value of zero as of December 31, 2018 for the non-fuel impaired Project assets.

With the suspension of construction of Summer Nuclear Units 2 and 3 the nuclear fuel material for the first core load of the units will no longer be needed or used in Units 2 and 3. Due to the nature of the Unit 2 and 3 fuel, it cannot be used as is at Summer Nuclear Unit 1. SCE&G performed an analysis to determine how this fuel might be disposed and the fair value of the fuel. The analysis considered both selling the fuel into the market and exchanging the fuel for material that can be used in Unit 1. SCE&G used estimated market prices as of December 31, 2017 obtained from nuclear fuel suppliers when estimating the value of the fuel. Using SCE&G's analysis the Authority had determined that the fair value of this fuel was 33.52% of the book value of the fuel, or $34.6 million (Authority's share), as of December 31, 2017. The remaining $68.5 million was written off as impaired.

Based on the results in determining the fair value, the write-off of Summer Nuclear Units 2 and 3 construction costs and nuclear fuel for the year ended December 31, 2017 totaled $4.211 billion.

During 2018 additional invoices related to Units 2 and 3 were received and other correcting entries were made to the Unit 2 and 3 costs. These amounts were part of the impaired assets and were charged to the Nuclear Regulatory Asset (See Footnote 1 – K - Other Regulatory Items). Market prices for Unit 2 and 3 fuel were estimated as of December 31, 2018 and based on these prices, no additional adjustments to the book value of the fuel were made.

2018 Developments Status of COLs. On January 28, 2019 the Authority Board approved a resolution authorizing the Interim President and CEO to consent to SCE&G's request to terminate the Summer Nuclear Units 2 and 3 COLs. That consent was conveyed to the Nuclear Regulatory Commission in a letter dated January 29, 2019. (See Footnote 15 - Subsequent Events.)

Reactor Coolant Pump Transfer to China. In February 2018, SCE&G and the Authority sold one reactor coolant pump planned for use in Summer Nuclear Unit 2 to Westinghouse for use in the China Project, Haiyang Unit 2. The Authority's 45% share of the proceeds was approximately $6.5 million and the resulting gain was recorded as a regulatory liability (See Footnote 1- K Other Regulatory Items.).

Sales Tax Audit and Proposed Assessment. On January 26, 2018 the SC DOR notified SCE&G that the sales and use tax returns for the Summer Nuclear 2&3 project have been assigned for a sales and use tax audit. During a meeting on February 8th, the DOR clarified its position that, because the VC Summer 2&3 project had been abandoned and the manufacturing facility was not completed and would not produce electricity, the materials for the Project were not tax-exempt and sales taxes were due on previously tax exempt purchases. On May 31, 2018, the SC DOR notified SCE&G that, since all of the information requested of SCE&G was not provided; a Proposed Notice of Assessment was generated. The full assessment, which was based on information obtained by the department, was for $421 million. On October 1, 2018 Santee Cooper's outside counsel submitted on Santee Cooper's behalf a Protest to Notice of Proposed Assessment Department File No. 020800475. As of December 31, 2018, Santee Cooper continues to dispute the position that sales taxes are due and owing.

Right of Entry; Maintenance, Preservation and Documentation Plan; and Warehoused Equipment Moved. On June 25, 2018, SCE&G and the Authority signed a Right of Entry Agreement allowing the Authority to begin implementation of a Maintenance, Preservation, and Documentation Plan (MPD) to preserve the equipment for the Project. The Authority contracted with Fluor Inc. to perform this scope of work to assess the equipment condition and to maintain the high value equipment. Fluor Inc. began this scope of work at the Project on July 2, 2018. Additionally, all assets stored in two large offsite warehouses were relocated to the Project site in 2018.

Switchyard True-Up. Included in the Summer Nuclear Units 2 and 3 transmission related assets that were not impaired were certain switchyard assets. During 2018 the parties determined that the ownership interest in these assets needed to be adjusted and began negotiating an agreement to adjust the percentages and true-up the charges. As of December 31, 2018 that adjustment was reasonably estimated and a receivable from SCE&G to the Authority in the amount of $2.7 million was recorded. The Authority expects to complete this effort in the second quarter of 2019.

Forbearance Agreement and Next Steps. On December 13, 2018, SCE&G and the Authority executed an agreement styled a "Forbearance Agreement" whereby SCE&G reaffirmed its irrevocable waiver of any and all rights in the Forbearance Assets, defined generally as Summer Nuclear Units 2 and 3; ancillary facilities; intellectual property; equipment and materials on-site and off-site including, without limitation assets, materials and equipment that are affixed to the real property at the site but are capable of being removed. Excluded from the definition of Forbearance Assets is the underlying real property; certain specifically identified assets excluded from the abandonment prior to December 31, 2017; substation and switchyard assets; the old NND Building and nuclear fuel. The Forbearance Agreement requires SCE&G seek, within 30 days of the execution of the agreement, approval of the Public Service Commission of South Carolina of the agreement and, during the same 30 day period, take reasonable efforts to obtain the release of any security interest or mortgage attached to the Forbearance Asset.

The execution of the Forbearance Agreement and its successful approval and implementation will set the foundation for possible domestic and international sales of equipment, commodities and plant components covered by the agreement.

Regulatory Accounting Treatment

Nuclear Asset Impairment. On January 22, 2018, the Board approved the use of regulatory accounting for the $4.211 billion impairment write down. The majority of the Project was financed with borrowed funds. For rate-making purposes, the Authority includes the debt service on these borrowed funds in its rates. As such, the impairment will be recorded as a regulatory asset and amortized through November 2056 to align with the associated debt principal payments. In the event the principal maturities change materially the amortization will be adjusted to better align with the new maturities. In 2018, there was a decrease of $8.3 million charged to the nuclear impairment regulatory asset for adjustments after year end 2017, as well as amortization of $4.9 million.

Post Project Suspension Interest Expense. On December 11, 2017 the Board issued a resolution authorizing the use of regulatory accounting to defer a portion of the post suspension Project interest. With the cessation of capitalized interest and the timing of the suspension the Authority would be unable to collect a portion of the post suspension Project interest in rates. The regulatory asset for post suspension nuclear interest totaled $37.1 million and will be amortized through November 2056 to align with the principal payments on the debt used to pay the interest.

Toshiba Settlement Agreement. The Board of Directors also approved a resolution dated December 11, 2017, authorizing using regulatory accounting to defer recognition of income from the Settlement Agreement. The Authority recorded a regulatory deferred inflow of $898.2 million. The deferred inflow will be amortized to align with the manner in which debt service is reduced as a result of using the proceeds.

The following table summarizes nuclear related regulatory items:

Regulatory Item	Classification	Original Amount	2018 Amortization	2018 Changes	2018 Ending Balance
Nuclear impairment	Asset	$ 4.211 billion	($ 4.9 million)	($ 8.1 million)	$ 4.198 billion
Nuclear post-suspension interest	Asset	$ 37.1 million			$ 37.1 million
Toshiba Settlement Agreement	Deferred Inflow	$ 898.2 million	($ 176.6 million)	$ 10.7 million	$ 732.3 million

Financing Activities

Although there were no major financial transactions during 2018, the Authority entered into two cash defeasances whereby proceeds from the Toshiba Settlement Agreement were deposited into an Escrow Account to provide for the payment of principal of and interest on certain bonds maturing December 1, 2019 through December 1, 2043, respectively. The resulting transactions included the reduction of approximately $357.7 million in debt outstanding. The net debt service savings for the years impacted by the defeasance transactions are approximately $536.9 million.

Liquidity and Capital Resources

The Authority has significant cash flow from operating activities, access to capital markets, bank facilities and special funds deposit balances.

At December 31, 2018, the Authority had $1.200 billion of cash and investments, of which $949.9 million was available for liquidity purposes to fund various operating, construction, debt service and contingency requirements. Balances in the decommissioning funds totaled $214.3 million.

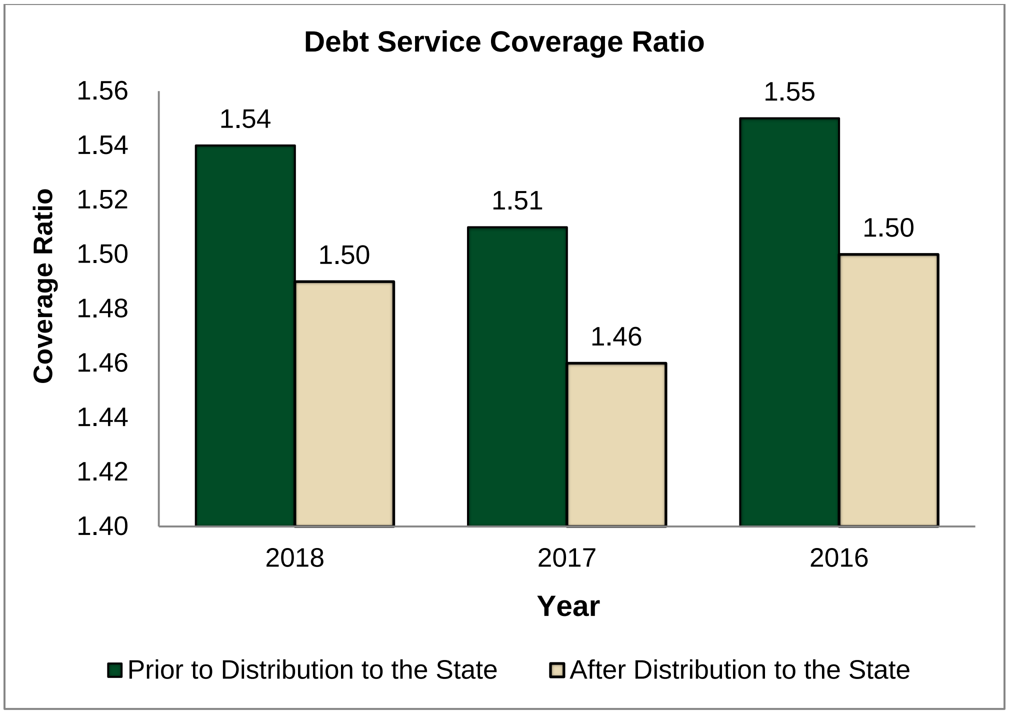
The Authority has entered into Reimbursement Agreements and secured irrevocable direct-pay letters of credit with two banks to support the issuance of commercial paper notes totaling $250.0 million as of December 31, 2018. As of December 31, 2018, the Authority had $173.9 million of commercial paper notes outstanding.

To obtain other funds if needed, the Authority has entered into Revolving Credit Agreements with each of Barclays Bank PLC, TD Bank, N.A., JP Morgan Chase Bank, N.A., and Wells Fargo Bank, N.A, respectively. These agreements allow the Authority to borrow up to a total of $850.0 million and expire at various dates in 2020 and 2021. At December 31, 2018, the Authority had borrowings totaling $111.5 million outstanding under the Revolving Credit Agreements.

Net cash used by the Authority during 2018 was $268.7 million. This decrease in cash was due to net cash used by non-capital and capital related financing activities of $536.7 million and $978.5 million, respectively. These decreases were partially offset by cash provided by operating and investing activities of $813.4 million and $433.1 million, respectively.

Debt Service Coverage

The Authority's debt service coverage (excluding commercial paper and other) for the years ended December 31, 2018, 2017 and 2016 is shown below:



Bond Ratings

Bond ratings assigned by various agencies as of December 31, 2018, 2017 and 2016 were as follows:

Agency / Lien Level	2018	2017	2016
Fitch Ratings			
Revenue Obligations	**A-**	A+	A+
Commercial Paper[1]	**F1+**	F1/F1+	F1
Outlook	**Negative**	Stable	Stable
Moody's Investors Service, Inc.			
Revenue Obligations	**A2**	A1	A1
Commercial Paper[1]	**P-1**	P-1	P-1
Outlook	**Negative**	Stable	Stable
Standard & Poor's Rating Services			
Revenue Obligations	**A+**	A+	AA-
Commercial Paper[1]	**A-1**	A-1/A-1+	A-1
Outlook	**Negative**	Stable	Stable

[1] In 2017, the Authority entered into Direct Pay Letters of Credit issued by various banks supporting the commercial paper program. The banks issuing the Letters of Credit have various ratings assigned by the rating agencies.

BOND MARKET TRANSACTIONS FOR YEARS 2018, 2017 AND 2016

YEAR 2018

No Bond Market Transactions - South Carolina Public Service Authority did not issue any Revenue Bond Obligations in 2018.

YEAR 2017

No Bond Market Transactions - South Carolina Public Service Authority did not issue any Revenue Bond Obligations in 2017.

YEAR 2016

Revenue Obligations:	2016 Tax-exempt Refunding Series A	Par Amount:	$	543,745,000
Purpose:	Refund a portion of the following: 2007 Series A, 2008 Series A, 2009 Refunding Series A, 2009 Series B, and 2014 Series A	Date Closed:		February 10, 2016
Comments:	Tax-exempt bonds with an all-in true interest cost of 3.66 percent			
Revenue Obligations:	2016 Series M1 - Current Interest Bearing Bonds (CIBS)	Par Amount:	$	33,282,500
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		May 19, 2016
Comments:	Tax-exempt minibonds			
Revenue Obligations:	2016 Series M1 – Capital Appreciation Bonds (CABS)	Par Amount:	$	8,860,200
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		May 19, 2016
Comments:	Tax-exempt minibonds			
Revenue Obligations:	2016 Tax-exempt Refunding and Improvement Series B	Par Amount:	$	508,705,000
Purpose:	To finance a portion of the Authority's ongoing capital program and refund a portion of the following: 2009 Series E	Date Closed:		July 20, 2016
Comments:	Tax-exempt bonds with an all-in true interest cost of 3.75 percent			
Revenue Obligations:	2016 Taxable Series D	Par Amount:	$	322,650,000
Purpose:	To retire certain Commercial Paper Notes and to finance a portion of the Authority's ongoing capital program	Date Closed:		July 20, 2016
Comments:	Taxable bonds with an all-in true interest cost of 2.45 percent			
Revenue Obligations:	2016 Tax-exempt Refunding Series C	Par Amount:	$	52,400,000
Purpose:	Refund a portion of the following: 2006 Series C	Date Closed:		October 13, 2016
Comments:	Tax-exempt bonds with an all-in true interest cost of 3.11 percent			

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the South Carolina Public Service Authority's finances for all those with an interest in the South Carolina Public Service Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Suzanne H. Ritter, Vice President and Controller, South Carolina Public Service Authority, P.O. Box 2946101, Moncks Corner, SC 29461-6106.

This Page Intentionally Left Blank

Statements of Net Position - Business - Type Activities

South Carolina Public Service Authority
As of December 31, 2018 and 2017

		2018		2017
		(Thousands)		
ASSETS				
Current assets				
Unrestricted cash and cash equivalents	**$**	**475,601**	$	731,758
Unrestricted investments		**474,269**		740,777
Restricted cash and cash equivalents		**53,600**		71,338
Restricted investments		**18,666**		163,360
Receivables, net of allowance for doubtful accounts of $2,073 and $2,177 at December 31, 2018 and 2017, respectively		**225,636**		228,575
Materials inventory		**138,447**		132,859
Fuel inventory				
Fossil fuels		**123,859**		307,279
Nuclear fuel - net		**110,250**		107,420
Interest receivable		**2,308**		2,522
Regulatory Assets - nuclear		**14,419**		0
Prepaid expenses and other current assets		**89,283**		132,506
Total current assets		**1,726,338**		2,618,394
Noncurrent assets				
Restricted cash and cash equivalents		**5,247**		27
Restricted investments		**130,714**		135,654
Capital assets				
Utility plant		**7,678,064**		7,545,203
Long lived assets - asset retirement cost		**265,116**		265,116
Accumulated depreciation		**(3,933,151)**		(3,773,415)
Total utility plant - net		**4,010,029**		4,036,904
Construction work in progress		**1,017,170**		763,490
Other physical property - net		**29,685**		31,628
Investment in associated companies		**7,162**		6,587
Costs to be recovered from future revenue		**225,590**		229,876
Regulatory asset-asset retirement obligation		**710,326**		694,036
Regulatory asset - OPEB		**153,235**		0
Regulatory assets - nuclear		**4,220,920**		4,248,478
Other noncurrent and regulatory assets		**189,465**		195,618
Total noncurrent assets		**10,699,543**		10,342,298
Total assets	**$**	**12,425,881**	$	12,960,692
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows – pension	**$**	**41,859**	$	41,181
Deferred outflow - OPEB		**23,175**		0
Accumulated decrease in fair value of hedging derivatives		**39,440**		39,916
Unamortized loss on refunded and defeased debt		**134,937**		158,625
Total deferred outflows of resources	**$**	**239,411**	$	239,722
Total assets & deferred outflows of resources	**$**	**12,665,292**	$	13,200,414

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

Statements of Net Position - Business - Type Activities (continued)

South Carolina Public Service Authority
As of December 31, 2018 and 2017

		2018		2017
		(Thousands)		
LIABILITIES				
Current liabilities				
Current portion of long - term debt	$	**63,450**	$	48,546
Accrued interest on long - term debt		**46,383**		50,383
Revolving credit agreement		**86,234**		219,000
Commercial paper		**173,898**		144,484
Accounts payable		**230,970**		304,377
Other current liabilities		**99,952**		97,075
Total current liabilities		**700,887**		863,865
Noncurrent liabilities				
Construction liabilities		**21,504**		17,130
Net OPEB liability		**172,774**		0
Net pension liability		**338,128**		338,783
Asset retirement obligation liability		**716,666**		729,969
Total long-term debt (net of current portion)		**6,968,680**		7,465,968
Unamortized debt discounts and premiums		**386,877**		431,174
Long-term debt-net		**7,355,557**		7,897,142
Other credits and noncurrent liabilities		**95,974**		97,085
Total noncurrent liabilities		**8,700,603**		9,080,109
Total liabilities	$	**9,401,490**	$	9,943,974
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	$	**16,740**	$	4,817
Deferred inflow - OPEB		**249**		0
Accumulated increase in fair value of hedging derivatives		**1,414**		5,374
Nuclear decommissioning costs		**215,551**		226,767
Regulatory inflows – Toshiba settlement		**732,325**		898,215
Total deferred inflows of resources	$	**966,279**	$	1,135,173
NET POSITION				
Net investment in capital assets	$	**1,955,185**	$	1,523,505
Restricted for debt service		**7,322**		32,430
Restricted for capital projects		**280**		1,284
Unrestricted		**334,736**		564,048
Total net position	$	**2,297,523**	$	2,121,267
Total liabilities, deferred inflows of resources & net position	$	**12,665,292**	$	13,200,414

This Page Intentionally Left Blank

Statements of Revenues, Expenses and Changes in Net Position - Business - Type Activities

South Carolina Public Service Authority

Years Ended December 31, 2018 and 2017

	2018	2017
	(Thousands)	
Operating revenues		
Sale of electricity	**$ 1,780,763**	$ 1,732,292
Sale of water	**9,507**	8,575
Other operating revenue	**16,350**	16,116
Total operating revenues	**1,806,620**	1,756,983
Operating expenses		
Electric operating expenses		
Production	**147,353**	131,951
Fuel	**603,361**	562,539
Purchased and interchanged power	**190,095**	198,157
Transmission	**25,623**	23,663
Distribution	**13,426**	11,771
Customer accounts	**15,015**	16,094
Sales	**5,296**	12,018
Administrative and general	**90,326**	100,779
Electric maintenance expenses	**113,550**	110,368
Water operating expenses	**3,320**	3,061
Water maintenance expenses	**1,116**	1,090
Total operating and maintenance expenses	**1,208,481**	1,171,491
Depreciation	**186,950**	181,094
Sums in lieu of taxes	**4,630**	4,586
Total operating expenses	**1,400,061**	1,357,171
Operating income	**406,559**	399,812
Nonoperating revenues (expenses)		
Interest and investment revenue	**11,103**	12,403
Net increase (decrease) in the fair value of investments	**5,213**	(438)
Interest expense on long-term debt	**(356,259)**	(267,847)
Interest expense on commercial paper and other	**(5,581)**	(5,013)
Amortization income (expense)	**(3,965)**	11,951
Costs to be recovered from future revenue	**(4,286)**	(4,339)
U.S. Treasury subsidy on Build America Bonds	**7,612**	7,583
Other - net	**133,257**	(45,430)
Total nonoperating revenues (expenses)	**(212,906)**	(291,130)
Income before transfers	**193,653**	108,682
Capital contributions & transfers		
Distribution to the State	**(17,397)**	(17,751)
Total capital contributions & transfers	**(17,397)**	(17,751)
Change in net position	**$ 176,256**	$ 90,931
Net position - beginning	**2,121,267**	2,030,336
Total net position - ending	**$ 2,297,523**	$ 2,121,267

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

Statements of Cash Flows - Business - Type Activities

South Carolina Public Service Authority

Years Ended December 31, 2018 and 2017

	2018	2017
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	$ **1,809,663**	$ 1,726,942
Payments to non - fuel suppliers	**(301,920)**	(308,098)
Payments for fuel	**(600,371)**	(557,944)
Purchased power	**(190,095)**	(198,157)
Payments to employees	**(196,727)**	(190,707)
Other receipts-net	**292,866**	219,440
Net cash provided by operating activities	**813,416**	691,476
Cash flows from non-capital related financing activities		
Distribution to the State	**(17,397)**	(17,751)
Proceeds from long - term revolving credit agreement draw	**0**	190,000
Repayment of revolving credit agreement draw	**(120,000)**	(70,000)
Proceeds from issuance of commercial paper notes	**15,350**	30,450
Repayment of commercial paper notes	**(19,055)**	(268,888)
Refunding/defeasance of long-term debt	**(104,648)**	(120)
Repayment of long - term debt	**(17,292)**	(746)
Interest paid on long - term debt	**(213,840)**	(11,051)
Interest paid on commercial paper and other	**(4,720)**	(4,904)
Bond issuance and other related costs	**(55,131)**	(185)
Net cash used in non-capital related financing activities	**(536,733)**	(153,195)
Cash flows from capital-related financing activities		
Proceeds from revolving credit agreement draw	**54,000**	126,500
Repayment of revolving credit agreement draw	**(143,000)**	(26,000)
Proceeds from issuance of commercial paper notes	**93,168**	23,284
Repayment of commercial paper notes	**(60,049)**	(40,261)
Refunding/defeasance of long-term debt	**(253,017)**	(157,488)
Repayment of long-term debt	**(33,909)**	(127,308)
Interest paid on long-term debt	**(143,861)**	(364,062)
Interest paid on commercial paper and other	**(2,305)**	(2,415)
Construction and betterments of utility plant	**(520,810)**	(824,255)
Bond issuance and other related costs	**29,706**	(8,715)
Toshiba settlement proceeds	**0**	898,215
Other-net	**1,609**	(33,661)
Net cash used in capital related financing activities	**(978,468)**	(536,166)
Cash flows from investing activities		
Net decrease in investments	**421,355**	609,051
Interest on investments	**11,755**	13,309
Net cash provided by investing activities	**433,110**	622,360
Net increase (decrease) in cash and cash equivalents	**(268,675)**	624,475
Cash and cash equivalents - beginning	**803,123**	178,648
Cash and cash equivalents - ending	$ **534,448**	$ 803,123

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

Statements of Cash Flows - Business - Type Activities (continued)

South Carolina Public Service Authority
Years Ended December 31, 2018 and 2017

	2018	2017
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ **406,559**	$ 399,812
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	**186,950**	181,094
Amortization of nuclear fuel	**23,222**	24,792
Net power gains involving associated companies	**(50,446)**	(50,542)
Distributions from associated companies	**45,522**	46,122
Advances to associated companies	**(20)**	(27)
Other income and expenses	**150,065**	(29,488)
Changes in assets and liabilities		
Accounts receivable - net	**2,939**	(30,043)
Inventories	**177,832**	110,872
Prepaid expenses	**48,866**	25,208
Other deferred debits	**(169,483)**	(14,092)
Accounts payable	**21,096**	21,011
Other current liabilities	**(271,918)**	394
Other noncurrent liabilities	**242,232**	6,363
Net cash provided by operating activities	**$ 813,416**	**$** 691,476

	2018	2017
Composition of cash and cash equivalents		
Current		
Unrestricted cash and cash equivalents	$ **475,601**	$ 731,758
Restricted cash and cash equivalents	**53,600**	71,338
Noncurrent		
Restricted cash and cash equivalents	**5,247**	27
Cash and cash equivalents at the end of the year	**$ 534,448**	$ 803,123
Noncash capital activities	**$ 45,032**	$ 139,536

Statements of Fiduciary Net Position - OPEB Trust Fund

South Carolina Public Service Authority
As of December 31, 2018 and 2017

	2018	2017
	(Thousands)	
ASSETS		
Cash and cash equivalents	$ **2,244**	$ 2,326
Investments	**74,849**	54,583
Total current assets	**77,093**	56,909
Total assets	$ **77,093**	$ 56,909
LIABILITIES		
Total liabilities	$ **0**	$ 0
NET POSITION		
Restricted for other postemployment benefits (OPEB)	$ **77,093**	$ 56,909
Total net position	$ **77,093**	$ 56,909
Total liabilities & net position	$ **77,093**	$ 56,909

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

Statements of Changes in Fiduciary Net Position - OPEB Trust Fund

South Carolina Public Service Authority

Years Ended December 31, 2018 and 2017

	2018	2017
	(Thousands)	
ADDITIONS		
Employer contributions	$ 20,012	$ 5,948
Total employer contributions	20,012	5,948
Investment income		
Appreciation (depreciation) in fair value of investments	(1,421)	762
Interest	1,593	1,308
Net investment income	172	2,070
Total additions	20,184	8,018
DEDUCTIONS		
Total deductions	0	0
Change in net position	20,184	8,018
Net position - beginning of period	56,909	48,891
Total net position - ending	$ 77,093	$ 56,909

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

NOTES

Note 1 – Summary of Significant Accounting Policies

A - Reporting Entity - The South Carolina Public Service Authority (the "Authority" or "Santee Cooper"), a component unit of the State of South Carolina ("the State"), was created in 1934 by the State legislature. The Santee Cooper Board of Directors ("Board") is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds, commercial paper and internally generated funds. As authorized by State law, the Board sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants. The Authority's financial statements include the accounts of the electric system and the Lake Moultrie and Lake Marion Regional Water Systems after elimination of inter-company accounts and transactions.

B - System of Accounts - The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States ("GAAP") issued by the Governmental Accounting Standards Board ("GASB") applicable to governmental entities that use proprietary fund accounting.

The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") for the electric system and the National Association of Regulatory Utility Commissioners ("NARUC") for the water systems.

The Authority also complies with policies and practices prescribed by its Board and practices common in both industries. As the Board is authorized to set rates, the Authority follows GASB 62. This standard provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in the Authority's reporting. This practice affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Current and Noncurrent - The Authority presents assets and liabilities in order of relative liquidity. The liquidity of an asset is determined by how readily it is expected to be converted to cash and whether restrictions limit the use of the resources. The liquidity of a liability is based on its maturity, or when cash is expected to be used to liquidate the liability.

D - Restricted Assets - For purposes of the Statements of Net Position and Statements of Cash Flows, assets are restricted when constraints are placed on their use by either:

(1) External creditors, grantors, contributors, or laws or regulations of other governments; or
(2) Law through constitutional provisions or enabling legislation.

Assets not meeting the requirements of restricted or invested in capital assets, net of related debt, are classified as unrestricted.

E - Cash and Cash Equivalents - For purposes of the Statements of Net Position and Statements of Cash Flows, the Authority considers highly liquid investments with original maturities of ninety days or less, and cash on deposit with financial institutions, as unrestricted and restricted cash and cash equivalents.

F - Inventory - Material and fuel inventories are carried at weighted average costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost.

G - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. Interest is capitalized only when interest payments are funded through borrowings. The Authority capitalized $0 and $67.9 million of interest in 2018 and 2017, respectively. Other interest expense is recovered currently through rates. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

H - Depreciation - Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. Composite rates are applied to the gross plant balance of various classes of assets which includes appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management in establishing appropriate composite depreciation rates. For assets not grouped in a plant class, straight-line depreciation is used over the estimated useful life of the asset.

Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were as follows:

Years Ended December 31,	**2018**	2017
Annual average depreciation percentages	**2.5%**	2.5%

I - Retirement of Long Lived Assets - The Authority follows the guidance of FASB ASC 410 in regard to the decommissioning of V.C. Summer Nuclear Station ("Summer Nuclear Unit 1") and closing coal-fired generation ash ponds. The requirements for both were recorded within capital assets on the accompanying Statements of Net Position.

The asset retirement obligation ("ARO") is adjusted each period for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. The following table summarizes the Authority's transactions:

Years Ended December 31,	**2018**			2017		
	Nuclear	**Ash Ponds**	**Total**	Nuclear	Ash Ponds	Total
			(Millions)			
Reconciliation of ARO Liability:						
Balance as of January 1,	**$ 414.8**	**$ 315.2**	**$ 730.0**	$ 403.9	$ 336.0	$ 739.9
Accretion expense	**11.2**	**(24.6)**	**(13.4)**	10.9	(20.8)	(9.9)
Balance as of December 31,	**$ 426.0**	**$ 290.6**	**$ 716.6**	$ 414.8	$ 315.2	$ 730.0
Asset Retirement Cost (ARC):	**$ 92.0**	**$ 173.1**	**$ 265.1**	$ 92.0	$ 173.1	$ 265.1
Regulatory Asset - ARO	**$ 421.9**	**$ 288.4**	**$ 710.3**	$ 406.1	$ 287.9	$ 694.0

J - Reporting Impairment Losses - The Authority follows the guidance of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, in determining if a capital asset has been impaired and the accounting treatment of such impairment. An impairment is a significant, unexpected decline in the service utility of a capital asset. Events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used should be reclassified from plant balances and CWIP to another asset category and reported at the lower of carrying value or fair value.

On July 31, 2017, the Board made a decision to suspend construction on Summer Nuclear Units 2 and 3. As a result of the suspension and evaluation of circumstances, Summer Nuclear Units 2 and 3 were determined to be impaired and were written down to fair value. The resulting write-off of Summer Nuclear Units 2 and 3 construction costs, which include capitalized interest, for the year ended December 31, 2017 totaled $4.211 billion. (See Note 7 - Summer Nuclear Station- Summer Nuclear Units 2 and 3).

There were no new impairment losses for 2018, although there was a decrease of $8.3 million charged to the nuclear impairment regulatory asset for adjustments after year end 2017.

K - Other Regulatory Items - In accordance with GASB 62's guidance on regulated operations, regulated accounting rules may be applied to business type activities that have regulated operations if certain criteria are met. GASB 65, paragraph 29, further clarified regulatory accounting rules under GASB 62. Under regulatory accounting a regulated utility may defer recognition of expenses or revenues if certain criteria are met and the revenues and expenses will be included in future rates. Significant regulatory items are presented as follows:

Pee Dee
The Authority made the decision in 2007 to build a coal-fired generation plant in Florence County, South Carolina. In 2009 the Authority chose not to proceed with this plant. Assets related to this project are classified as other current and noncurrent regulatory assets. The Board gave approval to write off the total asset balance of $261.3 million over a seven-year period ending December 2020. Accordingly, $41.6 million and $42.2 million were written off in 2018 and 2017, respectively. The remaining balance outstanding at December 31, 2018 was $83.2 million.

Summer Nuclear Units 2 and 3
On December 11, 2017, the Board approved the use of regulatory accounting for a portion of the nuclear post-suspension interest balance of $37.1 million. As of December 31, 2018, the balance remains the same and the write-off of the regulatory asset will not begin until 2022.

Based on a Board resolution dated January 22, 2018, the use of regulatory accounting was approved for the Summer Nuclear Units 2 and 3. The Board gave approval to write-off the total asset balance of $4.203 billion aligned with the debt service collected in rates. Accordingly, $4.9 million was written off in 2018. The remaining balance outstanding at December 31, 2018 was $4.198 billion.

Regulatory Liability – Toshiba Settlement Agreement.
The Board of Directors approved a resolution dated December 11, 2017, authorizing use of regulatory accounting to defer recognition of income from the Toshiba Settlement Agreement. The Authority recorded a regulatory deferred inflow of $898.2 million. The deferred inflow will be amortized to align with the manner in which debt service is reduced as a result of using the proceeds. During 2018, $176.6 million was amortized, leaving a balance of $732.3 million in the regulatory liability.

Unfunded OPEB Liability
On October 13, 2017, the Board approved the use of regulatory accounting to offset the initial unfunded OPEB liability resulting from implementation of GASB 75. As a result, the Authority recorded a regulatory asset of $165.2 million. The regulatory asset will be amortized to expense in accordance with a Level Dollar, 30-year closed amortization period funding schedule provided by the Actuary. During 2018, $12.0 million was amortized to coincide with a deposit to the trust of the same amount. The remaining balance outstanding at December 31, 2018 was $153.2 million.

L - Investment in Associated Companies - The Authority is a member of The Energy Authority ("TEA"). Approximate ownership interests in TEA as of December 31, 2018 and 2017 were as follows:

Years Ended December 31,	**2018**	2017
Owners	Ownership (%)	
City Utilities of Springfield (Missouri)	**5.55**	5.55
Cowlitz Public Utility District (Washington)	**5.55**	5.55
Gainesville Regional Utilities (Florida)	**5.55**	5.55
American Municipal Power (Ohio)	**16.67**	16.67
JEA (Florida)	**16.67**	16.67
MEAG Power (Georgia)	**16.67**	16.67
Nebraska Public Power District (Nebraska)	**16.67**	16.67
Santee Cooper (South Carolina)	**16.67**	16.67
Total	**100.00**	100.00

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The following table summarizes the transactions applicable to the Authority:

Years Ended December 31,	2018	2017
	(Thousands)	
TEA Investment:		
Balance as of January 1,	**$ 6,382**	$ 6,391
Reduction to power costs and increases in electric revenues	**46,190**	46,237
Less: Distributions from TEA	**45,522**	46,122
Less: Other (includes equity losses)	**105**	124
Balance as of December 31,	**$ 6,945**	$ 6,382
Due To/Due From TEA:		
Payable to	**$ 21,526**	$ 26,871
Receivable from	**$ 1,785**	$ 3,346

The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2018, the trade guarantees are an amount not to exceed approximately $84.6 million.

The Authority is also a member of TEA Solutions. TEA Solutions is a publicly supported non-profit corporation. Members and ownership interests in TEA Solutions as of December 31, 2018 and 2017were as follows:

Years Ended December 31,	2018	2017
Owners	Ownership (%)	
Cowlitz Public Service District (Washington)	**0.0**	8.0
American Municipal Power (Ohio)	**25.0**	23.0
JEA (Florida)	**25.0**	23.0
MEAG Power (Georgia)	**25.0**	23.0
Santee Cooper (South Carolina)	**25.0**	23.0
Total	**100.0**	100.0

TEA Solutions was formed mainly to (1) coordinate the operation of electric generation resources and the purchase and sale of electric power on behalf of the corporation's clients; (2) coordinate the purchase and sale of natural gas relating to fuel for clients' generation of electric energy or relating to clients' operation of a retail gas distribution system; and (3) provide consulting and software services to clients.

The Authority funded its initial share of TEA Solutions with a $150,000 contribution in 2013. This contribution was to cover legal, consulting and other start-up costs pertaining to TEA Solutions. The Authority's exposure relating to TEA Solutions is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. The balance in its member equity account at December 31, 2018 and 2017 was approximately $229,564 and $206,000, respectively.

M - Deferred Outflows / Deferred Inflows of Resources - In addition to assets, the Statements of Net Position reports a separate section for Deferred Outflows of Resources. These items represent a consumption of net position that applies to a future period and until that time will not be recognized as an expense or expenditure. The Authority has four items meeting this criterion: (1) deferred outflows – pension; (2) accumulated decrease in fair value of hedging derivatives; (3) unamortized loss on refunded and defeased debt; and (4) deferred outflows – OPEB.

In addition to liabilities, the Statements of Net Position also reports a separate section for Deferred Inflows of resources. These items represent an acquisition of net position that applies to a future period and until that time will not be recognized as revenue. The Authority has five items meeting this criterion: (1) deferred inflows – pension; (2) accumulated increase in fair value of hedging derivatives; (3) nuclear decommissioning costs; (4) Toshiba settlement; and (5) deferred inflows – OPEB.

The following table summarizes the Authority's total deferred items:

Years Ended December 31,		**2018**		2017
		(Thousands)		
Deferred outflows of resources	**$**	**239,411**	$	239,722
Deferred inflows of resources	**$**	**966,279**	$	1,135,173

N - Accounting for Derivative Instruments - In compliance with GASB 53 and 64, the annual changes in the fair value of effective hedging derivative instruments are required to be deferred (reported as deferred outflows of resources and deferred inflows of resources on the Statements of Net Position). Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

Natural gas and heating oil, core business commodity inputs for the Authority, have historically been hedged in an effort to mitigate gas and oil cost risk by reducing cost volatility and improving cost effectiveness. Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as fuel costs are incurred in the production cycle.

A summary of the Authority's derivative activity for years ended December 31, 2018 and 2017 is below:

Cash Flow Hedges and Summary of Activity

Years Ended December 31,			**2018**		2017
	Account Classification		(Millions)		
Fair Value					
Natural gas	Regulatory assets/liabilities	**$**	**(37.4)**	$	(37.4)
Heating oil	Regulatory assets/liabilities		**(0.6)**		2.9
Changes in Fair Value					
Natural gas	Regulatory assets/liabilities	**$**	**0.0**	$	(6.4)
Heating oil	Regulatory assets/liabilities		**(3.5)**		1.5
Recognized Net Gains (Losses)					
Natural gas	Operating expense-fuel	**$**	**(9.2)**	$	(19.2)
Heating oil	Operating expense-fuel		**3.3**		0.5
Realized But Not Recognized Net Gains (Losses)					
Natural gas	Regulatory assets/liabilities	**$**	**(1.7)**	$	(6.9)
Heating oil	Regulatory assets/liabilities		**(0.0)**		(0.2)
Notional					
			MBTUs		
Natural gas			**123,140**		171,056
			Gallons (000s)		
Heating oil			**8,484**		7,602
Maturities					
Natural gas			**Jan 2019-Dec 2022**		Jan 2018-Dec 2022
Heating oil			**Jan 2019-Dec 2020**		Jan 2018-Dec 2019

O - Revenue Recognition and Fuel Costs - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers but not billed are accrued monthly. Accrued revenue for retail customers totaled $15.8 million in 2018 and $15.4 million in 2017.

Fuel costs are reflected in operating expenses as fuel is consumed. All customers are billed utilizing rates and contracts that include fuel cost recovery components, the majority of which include monthly automatic fuel adjustment provisions which provide for adjustments to the base rates to cover increases or decreases in the cost of fuel to the extent such costs vary from the predetermined base rates. The fuel adjustment provisions are based on either the accrued costs for the previous month or the actual weighted average costs for the previous three-month period.

Rates to Central are determined in accordance with the cost of service methodology contained in the Central Agreement. Under this agreement Central initially pays monthly based on estimated rates and actual loads. The charges are then adjusted to reflect actual costs and loads, on a monthly basis for fuel and an annual basis for all other costs, and Central is charged or credited with the difference.

P - Bond Issuance Costs and Refunding Activity - GASB 62 requires that any gains or losses resulting from extinguishment of debt be expensed at the time of extinguishment. GASB 65 requires that debt issuance costs be expensed in the period incurred. In order to align the impact of these pronouncements with the Authority's rate making process, in October 2012, the Board authorized the use of regulatory accounting to allow continuation of prior accounting treatment with regard to these costs.

Consistent with prior accounting periods, unamortized debt discounts, premiums and expenses are amortized to income over the terms of the related debt issues. Gains or losses on refunded and extinguished debt are amortized to earnings over the shorter of the remaining life of the refunded debt or the life of the new debt.

Q - Distribution to the State - Any and all net earnings of the Authority not necessary for the prudent conduct and operation of its business in the best interests of the Authority or to pay the principal of and interest on its bonds, notes, or other evidences of indebtedness or other obligations, or to fulfill the terms and provisions of any agreements made with the purchasers or holders thereof or others must be paid over semiannually to the State Treasurer for the general funds of the State. Nothing in this section shall prohibit the Authority from paying to the State each year up to one percent of its projected operating revenues, as such revenues would be determined on an accrual basis, from the combined electric and water systems. (Code of Laws of South Carolina, as amended Section 58-31-110).

Distributions made to the State in 2018 and 2017 totaled approximately $17.4 million and $17.8 million, respectively.

R - New Accounting Standards -

STATEMENT NO. & ISSUE DATE	TITLE/SUMMARY	SUMMARY OF ACTION BY THE AUTHORITY
Statement No. GASB 74	**Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**	Implemented in 2017
Issue Date: June 2015	Effective for Periods Beginning After: June 15, 2016	
Description:	The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.	

Statement No. GASB 75	**Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**	Implemented in 2018
Issue Date: June 2015	Effective for Periods Beginning After: June 15, 2017	
Description:	The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.	
Statement No. GASB 80	**Blending Requirements for Certain Component Units—an amendment of GASB Statement 14**	Reviewed and no action required
Issue Date: January 2016	Effective for Periods Beginning After: June 15, 2016	
Description:	The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.	
Statement No. GASB 81	**Irrevocable Split-Interest Agreements**	Reviewed and no action required
Issue Date: March 2016	Effective for Periods Beginning After: December 15, 2016	
Description:	The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.	
Statement No. GASB 82	**Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73**	Implemented in 2017
Issue Date: March 2016	Effective for Periods Beginning After: June 15, 2016	
Description:	The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.	

Statement No. GASB 83	**Certain Asset Retirement Obligations**	Under review
Issue Date: November 2016	Effective for Periods Beginning After: June 15, 2018	
Description:	This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.	
Statement No. GASB 84	**Fiduciary Activities**	Under review
Issue Date: January 2017	Effective for Periods Beginning After: December 15, 2018	
Description:	The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.	
Statement No. GASB 85	**Omnibus 2017**	Reviewed and no action required
Issue Date: March 2017	Effective for Periods Beginning After: June 15, 2017	
Description:	The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).	
Statement No. GASB 86	**Certain Debt Extinguishment Issues**	Reviewed and no action required
Issue Date: May 2017	Effective for Periods Beginning After: June 15, 2017	
Description:	The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.	
Statement No. GASB 87	**Leases**	Under review
Issue Date: June 2017	Effective for Periods Beginning After: December 15, 2019	
Description:	The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.	

Statement No. GASB 88	**Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements**	
Issue Date: April 2018	Effective for Periods Beginning After: June 15, 2018	Under review
Description:	The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.	
Statement No. GASB 89	**Accounting for Interest Cost Incurred before the End of a Construction Period**	Under review
Issue Date: June 2018	Effective for Periods Beginning After: December 15, 2019	
Description:	The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund . This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.	
Statement No. GASB 90	**Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61**	Under review
Issue Date: August 2018	Effective for Periods Beginning After: December 15, 2018	
Description:	The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.	

Note 2 – Costs to be Recovered From Future Revenue (CTBR)

The Authority's rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. In accordance with GASB 62, the differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as CTBR. The recovery of outstanding amounts recorded as CTBR will coincide with the repayment of the applicable outstanding debt. The Authority's summary of CTBR activity is recapped below:

Years Ended December 31,	2018	2017
	(Millions)	
CTBR regulatory asset:		
Balance	**$ 225.6**	$ 229.8
CTBR expense/(reduction to expense):		
Net expense	**$ 4.3**	$ 4.3

Note 3 – Capital Assets

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Beginning Balances	**Increases**	**Decreases**	**Ending Balances**
		Year 2018 (Thousands)		
Utility plant	**$ 7,545,203**	**$ 153,718**	**$ (20,857)**	**$ 7,678,064**
Long lived assets-asset retirement cost	**265,116**	**0**	**0**	**265,116**
Accumulated depreciation	**(3,773,415)**	**(216,320)**	**56,584**	**(3,933,151)**
Total utility plant-net	**4,036,904**	**(62,602)**	**35,727**	**4,010,029**
Construction work in progress	**763,490**	**415,666**	**(161,986)**	**1,017,170**
Other physical property-net	**31,628**	**0**	**(1,943)**	**29,685**
Totals	**$ 4,832,022**	**$ 353,064**	**$ (128,202)**	**$ 5,056,884**

	Beginning Balances	Increases	Decreases	Ending Balances
		Year 2017 (Thousands)		
Utility plant	$ 7,271,505	$ 310,248	$ (36,550)	$ 7,545,203
Long lived assets-asset retirement cost	265,116	0	0	265,116
Accumulated depreciation	(3,620,430)	(212,721)	59,736	(3,773,415)
Total utility plant-net	3,916,191	97,527	23,186	4,036,904
Construction work in progress	4,292,907	949,829	(4,479,246)[1]	763,490
Other physical property-net	5,689	26,164	(225)	31,628
Totals	$ 8,214,787	$ 1,073,520	$ (4,456,285)	$ 4,832,022

[1] Includes a reclassification of $4.211 billion for impaired nuclear assets from construction work in progress to a regulatory asset as a result of the suspension of construction of Summer Nuclear Units 2 and 3.

Note 4 – Cash and Investments Held by Trustee and Fund Details

All cash and investments of the Authority are held and maintained by custodians and trustees. The use of unexpended proceeds from sale of bonds, debt service funds and other sources is designated in accordance with applicable provisions of various bond resolutions, the Enabling Act included in the South Carolina Code of Laws (the "Enabling Act") or by management directive. Restricted funds have constraints placed on their use (see Note 1 - D – "Restricted Assets"). The use of unrestricted funds may be either designated for a specific use by management directive or undesignated, but are available to provide liquidity for operations as needed.

Following are the details of the Authority's funds which are classified in the accompanying financial statements as unrestricted and restricted cash, cash equivalents and investments:

Years Ended December 31,	**2018**			2017		
Funds	**Cash & Cash Equivalents**	**Investments**	**Total**	Cash & Cash Equivalents	Investments	Total
			(Thousands)			
Current Unrestricted:						
Capital Improvement	**$ 80,514**	**$ 143,163**	**$ 223,677**	$ 12,848	$ 62,343	$ 75,1911
Debt Reduction	**35,067**	**77,158**	**112,225**	23,043	87,166	110,209
Funds from Taxable Borrowings	**-**	**-**	**-**	2,488	35,907	38,395
General Improvement	**22**	**-**	**22**	960	1,944	2,904
Internal Nuclear Decommissioning Fund	**2,881**	**75,479**	**78,360**	1,764	88,362	90,126
Nuclear Fuel	**11,273**	**5,998**	**17,271**	18,915	11,999	30,914
Revenue and Operating	**133,358**	**58,687**	**192,045**	37,506	79,826	117,332
Toshiba Guarantee Settlement Fund	**170,622**	**49,657**	**220,279**	609,265	288,409	897,674
Special Reserve	**41,864**	**64,127**	**105,991**	24,969	84,821	109,790
Total	**$ 475,601**	**$ 474,269**	**$ 949,870**	$ 731,758	$ 740,777	$ 1,472,535
Current Restricted:						
Funds from Tax-exempt Borrowings	**$ -**	**$ -**	**$ -**	$ 16,496	$ 113,740	$ 130,236
Debt Service Funds and Other	**53,600**	**18,666**	**72,266**	54,842	49,620	104,462
Total	**$ 53,600**	**$ 18,666**	**$ 72,266**	$ 71,338	$ 163,360	$ 234,698
Noncurrent Restricted:						
External Nuclear Decommissioning Trust	**$ 5,247**	**$ 130,714**	**$ 135,961**	$ 27	$ 135,654	$ 135,681
Total	**$ 5,247**	**$ 130,714**	**$ 135,961**	$ 27	$ 135,654	$ 135,681
TOTAL FUNDS	**$ 534,448**	**$ 623,649**	**$ 1,158,097**	$ 803,123	$ 1,039,791	$ 1,842,914

Cash and investments as of December 31, consisted of the following:

	2018	2017
Cash/Deposits	**$ 60,586**	$ (435)
Investments	**1,097,511**	1,843,349
Total cash and investments	**$ 1,158,097**	$ 1,842,914

Current Unrestricted Funds - These funds are used for operating activities for the Authority's respective systems. Although funds are segregated per management directive based on their intended use, since no restrictions apply, the funds are available to provide additional liquidity for operations. Included in this category is the internal Nuclear Decommissioning Fund intended by management to be used to offset future nuclear decommissioning costs and represents amounts in excess of the mandated Nuclear Regulatory Commission ("NRC") decommissioning requirement which is funded separately in an external Nuclear Decommissioning Trust. Also included are funds from taxable borrowings intended to be used for both capital construction costs and for working capital purposes, as expected at the time proceeds are borrowed, as well as funds received from the Toshiba Settlement Agreement (See Footnote 7 – Summer Nuclear Station – Summer Nuclear Units 2 and 3), intended to be used to lower debt cost.

Current Restricted Funds - These funds are restricted in their allowed use. Debt service funds are restricted for payment of principal and interest debt service on outstanding debt. Funds from tax-exempt borrowings are intended to be used for capital construction costs as expected at the time proceeds are borrowed and are restricted pursuant to sections of both the U.S. Treasury Regulations and the Internal Revenue Code that govern the use of tax-exempt debt. Other funds are restricted for other special purposes.

Noncurrent Restricted Funds - These funds are restricted as to their specific use. The external Nuclear Decommissioning Trust is restricted for future nuclear decommissioning costs and represents the mandated NRC funding requirements.

The Authority's investments are authorized by the Enabling Act, the Authority's investment policy and the Revenue Obligation Resolution. Authorized investment types include Federal Agency Securities, State of South Carolina General Obligation Bonds and U.S. Treasury Obligations, all of which are limited to a 10 year maximum maturity in all portfolios, except the decommissioning funds. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the gains and losses in fair value are reflected as a component of non-operating income in the Statements of Revenues, Expenses and Changes in Net Position.

The Authority's investment activity in all fund categories is summarized as follows:

Years Ended December 31,	**2018**	2017
Total Portfolio	(Billions)	
Total investments	**$ 1.1**	$ 1.8
Purchases	**28.9**	28.7
Sales	**29.6**	28.7
Nuclear Decommissioning Portfolios[1]	(Millions)	
Total investments	**$ 209.1**	$ 225.8
Purchases	**997.1**	662.8
Sales	**1,009.6**	658.7
Unrealized holding gain/(loss)	**5.7**	4.2
Repurchase Agreements [2]	(Millions)	
Balance at December 31	**$ 100.0**	$ 100.0

[1] During 2018, due to an estimated overfunding in the Internal Nuclear Decommissioning Fund, $12.0 million was released from the fund, crediting decommissioning expense.

[2] Securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement and are delivered by broker/dealers to the Authority's custodial agents.

Common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk are as follows:

Risk Type	Exposure
Credit Risk - Risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. Measured by the assignment of rating by a nationally recognized statistical rating organization.	As of December 31, 2018 and 2017, all of the agency securities held by the Authority were rated AAA by Fitch Ratings, Aaa by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Rating Services.
Custodial Credit Risk-Investments - Risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party.	As of December 31, 2018 and 2017, all of the Authority's investment securities are held by the Trustee or Agent of the Authority and therefore, there is no custodial risk for investment securities.
Custodial Credit Risk-Deposits - Risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.	At December 31, 2018 and 2017, the Authority had no exposure to custodial credit risk for deposits that were uninsured and/or collateral that was held by the bank's agent not in the Authority's name.
Concentration of Credit Risk - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer.	Investments in any one issuer (other than U. S. Treasury securities) that represent five percent or more of total Authority investments at December 31, 2018 and 2017 were as follows:

Security Type / Issuer	Fair Value 2018	Fair Value 2017
Federal Agency Fixed Income Securities	(Thousands)	
Federal Home Loan Bank	**$ 381,754**	$ 218,217
Federal National Mortgage Association	**Less than 5%**	124,782
Federal Farm Credit Bank	**249,726**	218,664
Federal Home Loan Mortgage Corp	**Less than 5%**	Less than 5%

Interest Rate Risk - Risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Authority manages its exposure to interest rate risk by investing in securities that mature as necessary to provide the cash flow and liquidity needed for operations. The following table shows the distribution of the Authority's investments by maturity as of December 31, 2018 and 2017:

		Investment Maturities as of December 31, 2018			
Security Type	**Fair Value**	**Less than 1 Year**	**1 - 5**	**6 - 10**	**More than 10 Years**
		(Thousands)			
Collateralized Deposits	**$ 202,201**	**$ 202,201**	**$ 0**	**$ 0**	**$ 0**
Repurchase Agreements	**100,000**	**100,000**	**0**	**0**	**0**
Federal Agency Discount Notes	**389,253**	**389,253**	**0**	**0**	**0**
Federal Agency Securities	**325,254**	**139,734**	**36,982**	**27,110**	**121,428**
US Treasury Bills, Notes and Strips	**80,803**	**61,501**	**0**	**0**	**19,302**
	$ 1,097,511	**$ 892,689**	**$ 36,982**	**$ 27,110**	**$ 140,730**

		Investment Maturities as of December 31, 2017			
Security Type	Fair Value	Less than 1 Year	1 - 5	6 - 10	More than 10 Years
		(Thousands)			
Certificates of Deposits	$ 522,530	$ 522,530	$ 0	$ 0	$ 0
Repurchase Agreements	100,000	100,000	0	0	0
Federal Agency Discount Notes	262,305	262,305	0	0	0
Federal Agency Securities	635,026	410,509	107,868	11,029	105,620
US Treasury Bills, Notes and Strips	323,488	303,054	876	0	19,558
	$ 1,843,349	$ 1,598,398	$ 108,744	$ 11,029	$ 125,178

The Authority holds zero coupon bonds which are highly sensitive to interest rate fluctuations in both the Nuclear Decommissioning Trust and Nuclear Decommissioning Fund. Together these accounts hold $31.8 million par in U.S. Treasury Strips ranging in maturity from May 15, 2019 to May 15, 2039. The accounts also hold $25.5 million par in government agency zero coupon securities in the two portfolios ranging in maturity from March 7, 2019 to April 15, 2030. Zero coupon bonds or U.S. Treasury Strips are subject to wider swings in their market value than coupon bonds. These portfolios are structured to hold these securities to maturity or early redemption. The Authority has a buy and hold strategy for these. Based on the Authority's current decommissioning assumptions, it is anticipated that no funds will be needed any earlier than 2042. The Authority has no other investments that are highly sensitive to interest rate fluctuations.

Foreign Currency Risk - Risk exists when there is a possibility that changes in exchange rates could adversely affect investment or deposit fair market value.	The Authority is not authorized to invest in foreign currency and therefore has no exposure.

Fair Value of Investments

The Authority measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

The Authority had the following recurring fair value measurements as of December 31, 2018 and 2017:

2018	**Total**	**Level 1**	**Level 2**	**Level 3**
		(Thousands)		
Collateralized Deposits	**$ 202,201**	**$ 0**	**$ 202,201**	**$ 0**
Repurchase Agreements	**100,000**	**0**	**100,000**	**0**
Federal Agency Discount Notes	**389,253**	**0**	**389,253**	**0**
Federal Agency Securities	**325,254**	**0**	**325,254**	**0**
US Treasury Bills, Notes and Strips	**80,803**	**0**	**80,803**	**0**
	$ 1,097,511	**$ 0**	**$ 1,097,511**	**$ 0**

2017	Total	Level 1	Level 2	Level 3
		(Thousands)		
Certificates of Deposits	$ 522,530	$ 0	$ 522,530	$ 0
Repurchase Agreements	100,000	0	100,000	0
Federal Agency Discount Notes	262,305	0	262,305	0
Federal Agency Securities	635,026	0	635,026	0
US Treasury Bills, Notes and Strips	323,488	0	323,488	0
	$ 1,843,349	$ 0	$ 1,843,349	$ 0

Debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. Certificates of Deposits and Repurchase Agreements classified in Level 2 are valued using pricing based on the securities' relationship to benchmark quoted prices.

Note 5 – Long -Term Debt

Debt Outstanding

The Authority's long-term debt at December 31, 2018 and 2017 consisted of the following:

	2018	2017	Interest Rate(s) (1)	Call Price (2)
	(Thousands)		(%)	(%)
Revenue Obligations: (mature through 2056)				
2004 Series M (4)	**$ 11,386**	$ 11,510	4.90-5.00	100/Accreted Value
2005 Series M (4)	**4,152**	4,291	4.35	100/Accreted Value
2006 Series M (4)	**3,428**	8,134	4.20	100/Accreted Value
2007 Refunding Series B	**0**	12,410	N/A	N/A
2008 Series M (4)	**15,088**	21,084	4.50-4.80	100/Accreted Value
2009 Tax-exempt Refunding Series A	**9,520**	59,210	4.00-4.80	100
2009 Taxable Series C	**65,975**	71,440	5.14-6.224	P&I Plus Make-Whole Premium
2009 Tax-exempt Series E	**2,285**	2,285	4.75	100
2009 Taxable Series F	**100,000**	100,000	5.74	P&I Plus Make-Whole Premium
2010 Series M1 (4)	**20,354**	21,252	3.50-4.30	100/Accreted Value
2010 Refunding Series B	**64,150**	101,455	4.00-5.00	100
2010 Series M2 (4)	**11,608**	12,595	2.875-3.875	100/Accreted Value
2010 Series C (Build America Bonds) (3)	**360,000**	360,000	6.454	P&I Plus Make-Whole Premium
2011 Series M1 (4)	**22,035**	23,341	3.50-4.80	100/Accreted Value
2011 Refunding Series B	**51,680**	144,620	4.00-5.00	Non-callable
2011 Refunding Series C	**135,855**	135,855	4.375-5.00	100
2011 Series M2 (4)	**18,475**	19,515	2.70-4.20	100/Accreted Value
2012 Refunding Series A	**66,505**	74,520	3.00-5.00	100
2012 Refunding Series B	**12,200**	12,200	5.00	Non-callable
2012 Refunding Series C	**27,045**	34,555	5.00	Non-callable
2012 Tax-exempt Series D	**292,460**	298,785	3.50-5.00	100
2012 Taxable Series E	**262,830**	262,830	3.572-4.551	P&I Plus Make-Whole Premium
2012 Series M1 (4)	**16,619**	18,158	2.55-4.00	100/Accreted Value
2012 Series M2 (4)	**14,437**	15,624	2.25-3.70	100/Accreted Value
2013 Series M1 (4)	**18,716**	22,207	1.30-3.90	100/Accreted Value
2013 Tax-exempt Series A	**152,655**	252,655	5.00-5.75	100
2013 Tax-exempt Refunding Series B	**388,730**	388,730	5.00-5.125	100
2013 Taxable Series C	**250,000**	250,000	5.784	P&I Plus Make-Whole Premium
2013 Tax-exempt Series E	**506,765**	506,765	5.00-5.50	100
2014 Series M1 (4)	**31,161**	34,040	3.00-4.30	100/Accreted Value
2014 Tax-exempt Series A	**525,000**	525,000	5.00-5.50	100
2014 Tax-exempt Refunding Series B	**42,275**	42,275	5.00	100
2014 Tax-exempt Refunding Series C	**696,605**	704,525	3.00-5.50	100
2014 Taxable Refunding Series D	**31,795**	31,795	2.906-3.606	P&I Plus Make-Whole Premium
2015 Tax-exempt Refunding Series A	**586,340**	591,825	3.00-5.00	100
2015 Tax-exempt Refunding Series B	**64,870**	64,870	5.00	Non-callable
2015 Series M1 (4)	**32,974**	35,437	1.75-3.85	100/Accreted Value
2015 Tax-exempt Refunding Series C	**155,080**	198,770	5.00	Non-callable
2015 Taxable Series D	**169,657**	169,657	4.77	P&I Plus Make-Whole Premium
2015 Tax-exempt Series E	**300,000**	300,000	5.25	100

	2018	2017	Interest Rate(s) (1)	Call Price (2)
	(Thousands)		(%)	(%)
2016 Tax-exempt Refunding Series A	**543,745**	543,745	3.125-5.00	100
2016 Series M1 (4)	**38,654**	41,294	1.65-3.75	100/Accreted Value
2016 Tax-exempt Refunding Series B	**508,705**	508,705	2.25-5.25	100
2016 Tax-exempt Refunding Series C	**52,400**	52,400	3.00-5.00	100
2016 Taxable Series D	**322,650**	322,650	2.388	P&I Plus Make-Whole Premium
Total Revenue Obligations	**7,006,864**	7,413,014		
Long-Term Revolving Credit Agreement: (matures through 2029)	**25,266**	101,500	N/A	N/A
Less: Current Portion - Long-term Debt	**63,450**	48,546		
Total Long-term Debt - (Net of current portion)	**$ 6,968,680**	$ 7,465,968		

(1) Interest Rates apply only to bonds outstanding as of December 31, 2018.

(2) Call Price may only apply to certain maturities outstanding at December 31, 2018.

(3) These bonds were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and are eligible to receive an interest subsidy payment from the United States Department of Treasury in an amount up to 35% of interest payable on the bonds.

(4) Includes Current Interest Bearing Bonds (CIBS) and Capital Appreciation Bonds (CABS).

Changes in Long-Term Debt

Long-term debt (LTD) activity for the years ended December 31, 2018 and 2017 was as follows:

	Gross LTD Beginning Balances	Increases	Decreases	Gross LTD Ending Balances	Current Portion LTD	Total LTD (Net of Current Portion)	Unamortized Debt Discounts and Premiums	LTD-Net Ending Balances
				YEAR 2018 (Thousands)				
Revenue Obligations	**$ 7,413,014**	**$ 2,715**	**$ (408,865)**	**$ 7,006,864**	**$ 63,450**	**$ 6,943,414**	**$ 386,877**	**$ 7,330,291**
Long-Term Revolving Credit Agreement	**101,500**	**0**	**(76,234)**	**25,266**	**0**	**25,266**	**0**	**25,266**
Totals	**$ 7,514,514**	**$ 2,715**	**$ (485,099)**	**$ 7,032,130**	**$ 63,450**	**$ 6,968,680**	**$ 386,877**	**$ 7,355,557**
				YEAR 2017 (Thousands)				
Revenue Obligations	$ 7,695,552	$ 3,124	$ (285,662)	$ 7,413,014	$ 48,546	$ 7,364,468	$ 431,174	$ 7,795,642
Long-Term Revolving Credit Agreement	100,000	101,500	(100,000)	101,500	0	101,500	0	101,500
Totals	$ 7,795,552	$ 104,624	$ (385,662)	$ 7,514,514	$ 48,546	$ 7,465,968	$ 431,174	$ 7,897,142

Summary of Long-Term Principal and Interest

Maturities and projected interest payments of long-term debt are as follows:

Year Ending December 31,	Revenue Obligations	Long-Term Revolving Credit Agreement	Total Principal	TOTAL INTEREST [1]	TOTAL
			(Thousands)		
2019	$ 45,905	$ 0	$ 45,905	$ 341,922	$ 387,827
2020	112,650	16,266	128,916	337,870	466,786
2021	178,106	0	178,106	331,957	510,063
2022	129,802	1,335	131,137	323,422	454,559
2023	463,870	1,335	465,205	318,657	783,862
2024-2028	687,305	6,330	693,635	1,463,829	2,157,464
2029-2033	777,288	0	777,288	1,306,270	2,083,558
2034-2038	937,746	0	937,746	1,095,382	2,033,128
2039-2043	856,215	0	856,215	880,085	1,736,300
2044-2048	1,264,237	0	1,264,237	611,354	1,875,591
2049-2053	1,199,040	0	1,199,040	276,580	1,475,620
2054-2056	354,700	0	354,700	28,134	382,834
Total	$ 7,006,864	$ 25,266	$ 7,032,130	$ 7,315,462	$ 14,347,592

[1] Does not reflect impact of subsidy interest payments on 2010 Taxable C (Build America Bonds). Years 2019-2028 include projected interest for Long-Term Revolving Credit Agreement.

This Page Intentionally Left Blank

Summary of Refunded and Defeased Debt and Unamortized Losses

Refunded and defeased debt, original loss on refunding and the unamortized loss at December 31, 2018 are as follows:

Refunding Description		Refunded/Defeased Debt		Outstanding	Original Loss	Unamortized Loss
		(Thousands)			(Thousands)	
Cash Defeasance	$	20,000	1982 Series A	$ 0	$ 2,763	$ 258
2009 Refunding Series A	$	99,515	1997 Refunding Series A			
		20,125	1998 Refunding Series B	0	8,707	243
2010 Refunding Series B	$	30,430	2001 Series A			
		118,600	2002 Series B			
		84,780	2002 Refunding Series D	0	22,954	3,353
2011 Refunding Series B	$	8,990	2002 Refunding Series D			
		291,825	2004 Series A	0	23,287	1,073
2011 Refunding Series C	$	134,715	2002 Series B			
		5,160	2007 Series A	0	4,362	3,036
2012 Refunding Series A	$	73,535	2003 Refunding Series A			
		34,160	2004 Series A	0	12,206	4,038
Feb 2012 Defeasance	$	5,615	2003 Refunding Series A	0	749	489
2013 Refunding Series B	$	209,426	2003 Refunding Series A			
		7,070	2004 Series A			
		5,000	2006 Series A			
		6,565	2007 Series A			
		82,605	2008 Series B			
		1,125	2009 Series B			
		30,158	2011 Series A (LIBOR Index)			
		2,040	2012 Series D	0	14,446	11,585
2013 Refunding Series C	$	35,584	2003 Refunding Series A			
		97,695	2008 Series B	0	4,601	3,452
2014 Refunding Series C &	$	10,870	2003 Refunding Series A			
Taxable Refunding Series D		11,395	2005 Refunding Series A			
		419,105	2006 Series A			
		10,385	2006 Refunding Series C			
		175,775	2007 Series A			
		4,230	2007 Refunding Series B			
		15,000	2008 Series A			
		15,200	2009 Series B			
		12,920	2010 Refunding Series B			
		3,100	2011 Refunding Series B			
		5,625	2012 Refunding Series A			
		2,000	2012 Refunding Series B			
		15,185	2012 Refunding Series C			
		11,335	2012 Series D			
		18,185	2013 Taxable Series D (LIBOR Index)			
		44,075	Expansion Bond Refunding CP	11,885	32,936	26,219

Summary of Refunded and Defeased Debt and Unamortized Losses (continued)

Refunding Description		Refunded/Defeased Debt		Outstanding	Original Loss	Unamortized Loss
		(Thousands)			(Thousands)	
2015 Refunding Series A	$	13,370	2006 Series A			
		32,750	2007 Series A			
		93,035	2008 Series A			
		30,765	2009 Series B	$ 123,800	$ 21,487	$ 12,636
2015 Refunding Series B	$	78,150	2005 Refunding Series C	0	4,987	2,846
2015 Refunding Series C	$	87,560	2005 Refunding Series A			
		217,065	2005 Refunding Series B	0	24,366	6,504
2015 Series E	$	100,000	Barclays Revolving Credit Agreement	0	89	82
2016 Refunding Series A	$	75,885	2007 Series A			
		278,950	2008 Series A			
		20,905	2009 Refunding Series A			
		112,210	2009 Series B			
		75,000	2014 Series A (Step Coupon Bond)	487,065	56,068	47,719
2016 Refunding Series B	$	97,715	2009 Series E	97,715	12,873	11,404
Total				$ 720,465	$ 246,881	$ 134,937

Summary of In-Substance Defeasance of Debt Using Only Existing Resources

Defeased debt, cash placed in escrow, and defeased debt outstanding at December 31, 2018 are as follows:

Description of Transaction		Defeased Debt		Cash Place in Escrow	Defeased Debt Outstanding
				(Thousands)	
09/2018 Cash Defeasance	$	48,475	2009 Refunding Series A		
		37,305	2010 Refunding Series B		
		81,510	2011 Refunding Series B		
		8,015	2012 Refunding Series A		
		7,510	2012 Refunding Series C		
		6,325	2012 Series D		
		100,000	2013 Series A		
		7,920	2014 Refunding Series C		
		5,485	2015 Series A		
		43,690	2015 Refunding Series C	$ 371,403	$ 346,235
12/2018 Cash Defeasance	$	11,430	2011 Refunding Series B	11,707	11,430
Total				$ 383,110	$ 357,665

Analysis of Prior Year Current Portion of Long-term Debt

As a part of its long-term capital structure plan, the Authority will be involved in a multi-year refinancing plan. As a result, each year certain maturities classified as current portion of long-term debt may be refinanced in the subsequent year prior to the maturity date.

Below is an analysis of the 2017 current portion of long-term debt showing the amounts paid as debt service in 2018. The remaining amount represents five percent of the original principal for all outstanding minibond issues.

Analysis of December 31, 2017 Current Portion of Long-term Debt:	(Thousands)
Principal debt service paid from 2018 Revenues	$ 29,263
Minibond CAB accretion debt service paid from 2018 Revenues	1,738
Other:	
5% current portion requirement for original minibond issue amount [1]	17,545
Total	$ 48,546

[1] Represents five percent annual cap on the requirement related to put features on all outstanding minibond issues. This is an accounting entry only and does not impact debt service.

An analysis of the $134,055 current portion of long-term debt at December 31, 2016 showed that $116,510 was debt service paid from revenues. The remaining $17,545 represented five percent of the original principal for outstanding minibond issues.

Reconciliations of Interest Charges

Years Ended December 31,	**2018**	2017
	(Thousands)	
Reconciliation of interest cost to interest expense:		
Total interest cost	**$ 360,822**	$ 376,108
Capitalized interest	**0**	(67,911)
Deferred interest expense [1]	**0**	(37,076)
Interest charged to fuel expense	**(4,563)**	(3,274)
Total interest expense on long-term debt	**$ 356,259**	$ 267,847
Reconciliation of interest cost to interest payments:		
Total interest cost	**$ 360,822**	$ 376,108
Accrued interest-current year	**(46,383)**	(50,383)
Accrued interest-prior year	**50,383**	54,418
Interest released by refundings	**(4,470)**	(1,906)
Accretion on capital appreciation minibonds	**(2,651)**	(3,124)
Total interest payments on long-term debt	**$ 357,701**	$ 375,113

[1] On December 31, 2017, deferred interest was transferred to a regulatory asset per Board approval during the December Board meeting.

Debt Service Coverage

Years Ended December 31,	**2018**	2017
	(Thousands)	
Operating revenues	**$ 1,806,620**	$ 1,756,983
Interest and investment revenue	**11,103**	12,403
Total revenues and income	**1,817,723**	1,769,386
Operating expenses	**(1,400,061)**	(1,357,171)
Depreciation	**186,950**	181,094
Total expenses	**(1,213,111)**	(1,176,077)
Funds available for debt service prior to distribution to the State	**604,612**	593,309
Distribution to the State	**(17,397)**	(17,751)
Funds available for debt service after distribution to the State	**$ 587,215**	$ 575,558
Debt Service on Accrual Basis:		
Principal on long-term debt	**$ 30,955**	$ 124,857
Interest on long-term debt	**360,264**	267,847
Long-term debt service paid from Revenues	**391,219**	392,704
Commercial paper and other principal and interest	**21,428**	17,014
Total debt service paid from Revenues	**$ 412,647**	$ 409,718
Debt Service Coverage Ratio:		
Excluding commercial paper and other:		
Prior to distribution to the State	**1.54**	1.51
After distribution to the State	**1.50**	1.46
Including commercial paper and other:		
Prior to distribution to the State	**1.46**	1.44
After distribution to the State	**1.42**	1.40

Fair Value of Debt Outstanding

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for debt with similar terms and average maturities, the fair value of debt was $7.4 billion and $8.4 billion at December 31, 2018 and 2017, respectively.

Bond Market Transactions

There were no bond issuances for the year ended December 31, 2018.

Debt Covenant Compliance

As of December 31, 2018 and 2017, management believes the Authority was in compliance with all debt covenants. The Authority's bond indentures provide for certain restrictions, the most significant of which are:

(1) the Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements and all costs of operation and maintenance of the Authority's Electric and Water Systems and all necessary repairs, replacements and renewals thereof; and
(2) the Authority is restricted from issuing additional parity bonds unless certain conditions are met.

All Authority debt (Electric and Water Systems) issued pursuant to the Revenue Obligation Resolution is payable solely from and secured by a lien upon and pledge of the applicable Electric and Water Revenues of the Authority. Revenue Obligations are senior to:

(1) payment of expenses for operating and maintaining the Systems;
(2) payments for debt service on commercial paper; and
(3) payments made into the Capital Improvement Fund.

Bond Outstanding Summary

As of December 31,	**2018**	2017
Outstanding Revenue Obligations	**$ 7.0 Billion**	$ 7.4 Billion
Estimated remaining interest payments	**$ 7.3 Billion**	$ 7.9 Billion
Issuance years (inclusive)	**2004 through 2016**	2004 through 2016
Maturity years (inclusive)	**2019 through 2056**	2018 through 2056

Note: Proceeds from these bonds were/will be used to fund a portion of the Authority's ongoing capital program or retire or refund certain outstanding debt of the Authority.

Note 6 – Variable Rate Debt

The Board has authorized the issuance of variable rate debt not to exceed 20 percent of the aggregate Authority debt outstanding (including commercial paper) as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. At December 31, 2018, four percent of the Authority's aggregate debt outstanding was variable rate. The lien and pledge of Revenues securing variable rate debt issued as Revenue Obligations is senior to that securing commercial paper.

Commercial paper is issued for valid corporate purposes with a term not to exceed 270 days. The information related to commercial paper was as follows:

Years Ended December 31,	**2018**	2017
Commercial paper outstanding (000's)	**$ 173,898**	$ 144,484
Effective interest rate (at December 31)	**2.48%**	1.48%
Average annual amount outstanding (000's)	**$ 165,853**	$ 269,521
Average maturity	**38 Days**	35 Days
Average annual effective interest rate	**2.01%**	1.09%

As of December 31, 2018, the Authority had secured Irrevocable Direct Pay Letters of Credit and Reimbursement Agreements with Bank of America, N.A. and Wells Fargo Bank, N.A. totaling $278.1 million. These agreements are used to support the Authority's issuance of up to $250.0 million of commercial paper. As of December 31, 2017, the Authority had secured Irrevocable Direct Pay Letters of Credit and Reimbursement Agreements with Bank of America, N.A., U.S. Bank, N.A., and Wells Fargo Bank, N.A. totaling $389.4 million. These agreements are used to support the Authority's issuance of up to $350.0 million of commercial paper. There were no borrowings under the agreements during 2018 or 2017.

As of December 31, 2018, the Authority had a Revolving Credit Agreement with Barclays Bank PLC for $200.0 million. This agreement is used to obtain funds if needed. The agreement was entered into on September 22, 2015, was amended on June 9, 2017, and expires November 26, 2020. In March 2017, the Authority secured a $50.0 million loan under the Direct Purchase Revolving Credit Agreement to pay off $50.0 million of Commercial Paper Notes. In April 2017, the Authority secured a $50.0 million loan under the Direct Purchase Revolving Credit Agreement to pay off $50.0 million of Commercial Paper Notes. The Authority paid off $70.0 million of these Direct Purchase Revolving Credit Agreement loans in 2017. In March 2018, the Authority secured a $42.0 million loan under the Direct Purchase Revolving Credit Agreement for capital expenditures. The Authority paid off $142.0 million of these Direct Purchase Revolving Credit Agreement loans in 2018. A total of $30.0 million of loans under this Agreement remain outstanding at December 31, 2018.

As of December 31, 2018, the Authority had a Revolving Credit Agreement with TD Bank, N.A. for $200.0 million. This agreement is used to obtain funds if needed. The agreement was entered into on July 27, 2017, and expires June 30, 2021. In August 2017, the Authority secured a $125.0 million loan under the Direct Purchase Revolving Credit Agreement to pay off $125.0 million of Commercial Paper Notes. In December 2017, the Authority secured an $89.0 million loan under the Direct Purchase Revolving Credit Agreement to defease certain outstanding Revenue Obligation Bonds. The Authority paid off $26.0 million of these Direct Purchase Revolving Credit Agreement loans in 2017. In March 2018, the Authority secured a $12.0 million loan under the Direct Purchase Revolving Credit Agreement for capital expenditures. The Authority paid off $121.0 million of these Direct Purchase Revolving Credit Agreement loans in 2018. A total of $79.0 million of loans under this Agreement remain outstanding at December 31, 2018.

As of December 31, 2018, the Authority had a Revolving Credit Agreement with J.P. Morgan Chase Bank, N.A. for $250.0 million. This agreement is used to obtain funds if needed. The agreement was entered into on August 1, 2017, and expires August 7, 2020. In August 2017, the Authority secured a $2.5 million loan under the Direct Purchase Revolving Credit Agreement to pay off $2.5 million of Commercial Paper Notes. A total of $2.5 million of loans under this Agreement remain outstanding at December 31, 2018.

As of December 31, 2018, the Authority had a Revolving Credit Agreement with Wells Fargo Bank, N.A. for $200.0 million. This agreement is used to obtain funds if needed. The agreement was entered into on August 1, 2017, and expires August 9, 2019. There were no borrowings under this agreement in 2018 or 2017.

Note 7 – Summer Nuclear Station

Summer Nuclear Unit 1

The Authority and SCE&G (which became Dominion Energy as of January 01, 2019; See Footnote 15 - Subsequent Events) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own Unit 1 at the Summer Nuclear Station ('Summer Nuclear Unit 1" with undivided interests of 33 1/3 percent and 66 2/3 percent, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Summer Nuclear Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3 percent of the net electricity generated. In 2004, the NRC granted a twenty-year extension to the operating license for Summer Nuclear Unit 1, extending it to August 6, 2042.

Authority's Share of Summer Nuclear - Unit 1

Years Ended December 31,	**2018**	2017
	(Millions)	
Plant balances before depreciation	**$ 579.6**	$ 556.4
Accumulated depreciation	**347.6**	349.3
Operation & maintenance expense	**87.7**	86.1

Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. This amortization is included in fuel expense and recovered through the Authority's rates.

SCE&G contracted with HOLTEC International, The Shaw Group, Inc. and Westinghouse to build a licensed Independent Spent Fuel Storage Installation ("ISFSI"), which was completed and commenced receiving fuel in 2016. Because of Department of Energy's ("DOE") failure to meet its obligation to dispose of spent fuel, SCE&G and the Authority are being reimbursed by DOE for ISFSI project costs. The Authority expects this reimbursement will equal approximately 75 percent of total project cost, which amounts to $44.1 million (Authority's 1/3 share). Through December 31, 2018, reimbursements received equal $33.1million (Authority's 1/3 share), which equals approximately 73 percent of total project expenditures.

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2016 and the NRC's imposed minimum requirement. Based on these estimates and assuming a SAFSTOR (delayed) decommissioning, the Authority's one-third share of the estimated decommissioning costs of Summer Nuclear Unit 1 equals approximately $415.1 million in 2016 dollars. As deposits are made, the Authority debits FERC account 532 – Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates. During 2018 $12.0 million was transferred out of the internal fund because that fund's balances exceeded necessary funding and this withdraw was credited to FERC account 532 as well.

Based on current decommissioning cost estimates, these funds, which total approximately $209.1 million (adjusted to market) at December 31, 2018, along with investment earnings and credits from future DOE reimbursements for spent fuel storage, are estimated to provide enough funds for the Authority's one-third share of the total decommissioning cost for Summer Nuclear Unit 1.

Summer Nuclear Units 2 and 3

Engineering, Procurement and Construction Agreement and Project History. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority (together, the "Owners"), entered into an Engineering, Procurement, and Construction Agreement (the "EPC Agreement"), with a consortium consisting of Westinghouse and Stone & Webster, Inc. (the "Consortium"). Pursuant to the EPC Agreement, the Consortium would supply, construct, test, and startup two 1,117 MW nuclear generating units utilizing Westinghouse's AP 1000 standard plant design. The EPC Agreement included substantial completion dates of April 2016 and January 2019 for Summer Nuclear Units 2 and 3 (the "Project" or "Summer Nuclear Units 2 and 3"), respectively.

On October 20, 2011, the Owners entered into a Design and Construction Agreement specifying an Authority ownership interest of 45% in each of Summer Nuclear Unit 2 and Summer Nuclear Unit 3. Among other things, the Design and Construction Agreement allowed either or both parties to withdraw from the project under certain circumstances. The Authority and SCE&G also entered into an Operating and Decommissioning Agreement on October 20, 2011 with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement defined the conditions under which the Authority or SCE&G could convey an undivided ownership interest in the units to a third party.

On December 30, 2011 the Nuclear Regulatory Commission ("NRC") approved the AP 1000 standard plant design (DCD Revision 19) for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC issued the Combined Construction and Operating Licenses (the "COLs") with certain conditions for Summer Nuclear Units 2 and 3.

On October 27, 2015, the Owners executed a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent in connection with an amendment to the EPC Agreement. The amended EPC Agreement, which became effective on December 31, 2015, included, among other things, an irrevocable option (the "Fixed Price Option") which SCE&G executed on behalf of the Owners on July 1, 2016, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the Project (excluding a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at $6.082 billion (Authority's 45% portion being $2.737 billion), subject to adjustment for amounts paid since June 30, 2015. The amended EPC Agreement also provided for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations (the "Guaranty") and revised the substantial completion dates of Units 2 and 3 to August 31, 2019 and August 31, 2020, respectively.

Toshiba Financial Difficulties/Westinghouse Bankruptcy. In late 2015, following disclosures regarding its operating and financial performance and near-term liquidity, Toshiba Corporation's ("Toshiba") credit ratings declined to below investment grade. Pursuant to the terms of the EPC Agreement, the Owners obtained payment and performance bonds from Westinghouse in the form of standby letters of credit totaling $45.0 million (the Authority's 45% share is $20.3 million).

On December 27, 2016, Toshiba announced financial difficulties related to the goodwill associated with the Westinghouse acquisition of Stone & Webster. Following several announcements and related media reports, on February 14, 2017, Toshiba, the parent company of Westinghouse and the guarantor of its financial and performance obligations with respect to the EPC Agreement, announced that it preliminarily recorded a multi-billion dollar impairment loss associated with the construction of Summer Nuclear Units 2 and 3 and the two additional AP1000 units being constructed by Westinghouse for another company in the United States (Plant Vogtle). The impaired goodwill resulted from Westinghouse's analysis that the cost to complete the four Westinghouse AP1000 new nuclear plants in the United States would far surpass the original estimates for construction. Toshiba attributed the cost overruns to, among other things, higher labor costs arising from lower than anticipated work efficiency and the inability to improve such work efficiency over time. On April 11, 2017 Toshiba released their unaudited quarterly securities report for the period covering April 1, 2016 to December 31, 2016 showing a loss of 532 billion Yen (US $4.800 billion).

On March 29, 2017, Westinghouse and 29 affiliated companies filed a Petition pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of New York. This Petition allowed for a transition and evaluation period during which the Owners would assess information provided by Westinghouse and determine the most prudent path forward for the project. After the filing of the bankruptcy proceeding, the Owners entered into negotiations with Toshiba Corporation for the purpose of acknowledging and defining Toshiba's obligation under Toshiba's May 23, 2008 Guaranty and establishing a schedule for the full payment of that obligation to the Owners.

Toshiba Settlement Agreement (the "Settlement Agreement" or "Toshiba Settlement Agreement"). On July 27, 2017 the Owners and Toshiba entered into a Settlement Agreement that provided, among other things: A) Toshiba's agreement that it would pay the Guaranty obligation in the amount of $2.168 billion (Authority's 45% share was $975.6 million) , in accordance with a schedule set forth in the Settlement Agreement; B) Toshiba's agreement that payment of the Guaranty obligation and related payment schedule would not be dependent on whether one or both of the two units are completed; C) Toshiba's agreement that the Owners' were not releasing any claims or rights against Westinghouse; D) Toshiba's agreement not to subordinate the Guaranty obligations except to working capital lenders and other relationships necessary to continue and enhance its financial condition; E) Toshiba, Westinghouse, and the owners of the Vogtle and Summer Nuclear AP1000 Project's agreement to become parties to a consent order in the Bankruptcy Court that approves assignment by Toshiba to the Summer Nuclear and Vogtle owners of all rights to the non-U.S. assets in the Westinghouse family of companies owned by Toshiba, any of Toshiba's rights against Westinghouse relating to loans, and similar receivables; F) agreement by the parties to the Settlement Agreement to work towards an expeditious sale of Westinghouse; G) the Owners' agreement that the distribution proceeds received from the Westinghouse bankruptcy would be a credit against the Guaranty; and H) the Owners' agreement not to exercise remedies of the Guaranty, absent a default, until September 2022.

On September 1, 2017, the Owners filed two proofs of claim in unliquidated amounts in the Westinghouse Bankruptcy Proceeding.

On September 27, 2017, the Owners entered into an Assignment and Purchase Agreement under which they sold and assigned rights to receive payment under the Settlement Agreement and rights, duties and obligations arising under two proofs of claim filed in the Westinghouse Bankruptcy Proceeding to Citibank, N.A., in exchange for a purchase price in the amount of $1,847,075,400. The Authority's share of the purchase price was $831,183,930. Excluded from the sale was the first $150.0 million (Authority's 45% share was $67.5 million) payment under the Toshiba Settlement Agreement, which was received by the Owners.

On January 2, 2018, the Owners entered into Amendment No. 1 of the Settlement Agreement and Amendment No. 1 of the Assignment and Purchase Agreement, which amendments had the effect of capping at $60.0 million the Owners' current obligation to reimburse Citibank, N.A. for payments from the Westinghouse Estate that had the effect of reducing mechanics liens at the site (Authority's 45% share is $27.0 million).

Developments in the Westinghouse Bankruptcy Proceeding. On March 28, 2018, the United States Bankruptcy Court for the Southern District of New York issued its order confirming Westinghouse Electric Company's Modified Second Amended Joint Chapter 11 Plan of Reorganization. The plan provides for, among other things, the sale of Westinghouse to Brookfield Business Partners, L.P. for $4.6 billion, a sale that closed on August 1, 2018.

The plan also provides for payment to allowed general unsecured creditors in an amount equal to the lesser of (i) its pro rata share of certain funds; or (ii) 100% of the amount of the allowed claim. Claims by those providing materials and services at the site have been classified under the plan as general unsecured creditors. Payments from the Westinghouse Estate that have the effect of reducing mechanics liens at the site have the potential to increase amounts that must be paid by the Authority to reimburse CITIBANK.

On December 15, 2018, an initial distribution was made to general unsecured creditors equaling about 25% of the allowed amount of each claim. The total amount of the allowed general unsecured claim pool is not currently known, but the size of that pool plays a significant factor in determining the amount each allowed general unsecured creditor will be paid. It is currently anticipated that allowed general unsecured creditors will receive full or substantially full payment; however, that cannot yet be confirmed as payment of allowed general unsecured claims will not be completed until the later part of 2019.

Cost to Complete and Construction Suspension. Beginning in late March 2017, the Owners formed an independent team led by the SCE&G construction manager to undertake a rigorous Estimate-to-Complete ("ETC") validation process, including the costing/scheduling expertise of High Bridge Associates and the expertise of AECOM Energy & Construction Inc. in the area of salvage, site restoration and preservation. The process began with gathering and validating information and data received from Westinghouse and Fluor, and creating a new schedule model using Owner, Fluor and Westinghouse schedules. On a parallel track and during the same time frame, the Authority retained nFront Consulting LLC to undertake an assessment of the projected cost of power from Summer Nuclear Units 2 and 3 if completed, compared to other alternatives in meeting future energy needs of the Authority.

Based upon the ETC validation process, management of the Authority found the results of the ETC validation process adequate to determine the viability of the Project; those results estimating the schedule to complete Unit 2 would be delayed at least 40 months beyond the August 2019 contract completion date, and the estimated schedule to complete Unit 3 would be delayed at least 43 months beyond the August 2020 contract completion date. Based on both studies, the estimated cost to the Authority to complete both units, including construction period interest, increased from $8.100 billion to $11.400 billion, and the cumulative average system cost of power would be substantially higher if one or both units were completed as compared to suspending construction.

On July 31, 2017, the Board of Directors of the Authority, by Resolution authorized the President and CEO, among other things, to immediately begin taking those actions necessary to wind-down and suspend construction on the two 1,100 MW nuclear units at the Summer Nuclear site in Fairfield County, and protect and preserve both the site and related plant components and equipment. That resolution contemplated the establishment of a Project construction cessation plan and process of seeking additional support for the Project to remain in place for up to a period of one year from the date of the Resolution. There are currently no legal or regulatory requirements for the site to be maintained or restored to its original condition. As such, no removal or restoration costs have been accrued.

Upon suspending the Project, and in accordance with GASB 62, the Authority ceased capitalizing interest expense on the debt incurred to fund the Project as of July 31, 2017.

As of December 31, 2017 the Owners identified assets that could be utilized at Summer Nuclear Unit 1, consisting of various buildings and structures totaling $44.8 million (Authority's 45% share). These assets were transferred to Summer Nuclear Unit 1, and as a result in the difference of ownership percentage, the assets were recorded on Unit 1 at $32.8 million (Authority's 33.33% share) and a receivable in the amount of $12.0 million was recorded on the Authority's books. In April 2018, the Authority received payment of $11.4 million to complete the transaction for the assets transferred to Summer Nuclear Unit 1. As of December 31, 2018, the Owners agreed to a reduction in the Authority's ownership of the switchyard at the Summer Nuclear site from 32.19% to 27.08%. As a result, a receivable in the amount of $2.7 million was recorded on the Authority's books. In addition, the Authority constructed transmission assets concurrently with the Project. These assets, which include switchyard costs, total $212.8 million at December 31, 2018, and will be utilized to enhance the Authority's transmission system.

Impairment of Project Assets. With suspension of the Project construction, the Authority sought additional project partners and financial support. South Carolina's Governor indicated that he contacted a number of companies inquiring about their interest in purchasing or partnering in the Project. As of December 31, 2017 the Authority had not received or been informed of any proposal to purchase the Project or partner in the Project. As such an evaluation was conducted to determine whether the assets were impaired. In accordance with GASB 42, the assets are impaired based on A) the decline in service utility of the capital asset is large in magnitude and B) the event or change in circumstance is outside the normal life cycle of the capital asset. While the Project could be completed at some point in the future, the Authority had no near-term plans to complete the Project. Except for the assets described above that will be utilized at Summer Nuclear Unit 1 or used to enhance the Authority's transmission system, the remaining Project assets, including the nuclear fuel, were determined to be impaired.

In addition to the lack of proposals by a third party to purchase or partner in the Project, the Authority also considered several other items in order to determine the fair value of the impaired assets.

The AP1000 is a new technology. There are no completed AP1000s in the United States and only two other units under construction in the United States. There was not an active liquid market for the purchase of these partially completed units.

SCE&G obtained several estimates of the salvage value of the remaining Project assets. The highest estimate was for approximately $150.0 million (Authority's share of this would be 45%). Westinghouse cited contractual provisions that it believes indicate that the Owners may not have unencumbered title to the proceeds of the sale of the assets. Should the sale of the assets move forward, a final determination regarding ownership of the sale proceeds might be delayed.

On December 27, 2017 SCE&G, based on the decision to abandon the Project, submitted a letter request to the NRC for approval to withdraw the COLs for Summer Nuclear Units 2 and 3. On January 8, 2018, the Authority submitted a letter in response to this request in which the Authority requested, among other things, that the NRC not take action for 180 days or until such time that the Authority could evaluate any risks it could incur by taking on the nuclear licenses.

Based on these considerations the Authority determined a fair value of zero as of December 31, 2018 for the non-fuel impaired Project assets.

With the suspension of construction of Summer Nuclear Units 2 and 3 the nuclear fuel material for the first core load of the units will no longer be needed or used in Units 2 and 3. Due to the nature of the Unit 2 and 3 fuel, it cannot be used as is at Summer Nuclear Unit 1. SCE&G performed an analysis to determine how this fuel might be disposed and the fair value of the fuel. The analysis considered both selling the fuel into the market and exchanging the fuel for material that can be used in Unit 1. SCE&G used estimated market prices as of December 31, 2017 obtained from nuclear fuel suppliers when estimating the value of the fuel. Using SCE&G's analysis the Authority had determined that the fair value of this fuel was 33.52% of the book value of the fuel, or $34.6 million (Authority's share), as of December 31, 2017. The remaining $68.5 million was written off as impaired.

Based on the results in determining the fair value, the write-off of Summer Nuclear Units 2 and 3 construction costs and nuclear fuel for the year ended December 31, 2017 totaled $4.211 billion.

During 2018 additional invoices related to Units 2 and 3 were received and other correcting entries were made to the Unit 2 and 3 costs. These amounts were part of the impaired assets and were charged to the Nuclear Regulatory Asset (See Footnote 1 – K - Other Regulatory Items). Market prices for Unit 2 and 3 fuel were estimated as of December 31, 2018 and based on these prices, no additional adjustments to the book value of the fuel were made.

2018 Developments Status of COLs. On January 28, 2019 the Authority Board approved a resolution authorizing the Interim President and CEO to consent to SCE&G's request to terminate the Summer Nuclear Units 2 and 3 COLs. That consent was conveyed to the Nuclear Regulatory Commission in a letter dated January 29, 2019. (See Footnote 15 - Subsequent Events.)

Reactor Coolant Pump Transfer to China. In February 2018, SCE&G and the Authority sold one reactor coolant pump planned for use in Summer Nuclear Unit 2 to Westinghouse for use in the China Project, Haiyang Unit 2. The Authority's 45% share of the proceeds was approximately $6.5 million and the resulting gain was recorded as a regulatory liability (See Footnote 1- K Other Regulatory Items.).

Sales Tax Audit and Proposed Assessment. On January 26, 2018 the SC DOR notified SCE&G that the sales and use tax returns for the Summer Nuclear 2&3 project have been assigned for a sales and use tax audit. During a meeting on February 8th, the DOR clarified its position that, because the VC Summer 2&3 project had been abandoned and the manufacturing facility was not completed and would not produce electricity, the materials for the Project were not tax-exempt and sales taxes were due on previously tax exempt purchases. On May 31, 2018, the SC DOR notified SCE&G that, since all of the information requested of SCE&G was not provided; a Proposed Notice of Assessment was generated. The full assessment, which was based on information obtained by the department, was for $421 million. On October 1, 2018 Santee Cooper's outside counsel submitted on Santee Cooper's behalf a Protest to Notice of Proposed Assessment Department File No. 020800475. As of December 31, 2018, Santee Cooper continues to dispute the position that sales taxes are due and owing.

Right of Entry; Maintenance, Preservation and Documentation Plan; and Warehoused Equipment Moved. On June 25, 2018, SCE&G and the Authority signed a Right of Entry Agreement allowing the Authority to begin implementation of a Maintenance, Preservation, and Documentation Plan (MPD) to preserve the equipment for the Project. The Authority contracted with Fluor Inc. to perform this scope of work to assess the equipment condition and to maintain the high value equipment. Fluor Inc. began this scope of work at the Project on July 2, 2018. Additionally, all assets stored in two large offsite warehouses were relocated to the Project site in 2018.

Switchyard True-Up. Included in the Summer Nuclear Units 2 and 3 transmission related assets that were not impaired were certain switchyard assets. During 2018 the parties determined that the ownership interest in these assets needed to be adjusted and began negotiating an agreement to adjust the percentages and true-up the charges. As of December 31, 2018 that adjustment was reasonably estimated and a receivable from SCE&G to the Authority in the amount of $2.7 million was recorded. The Authority expects to complete this effort in the second quarter of 2019.

Forbearance Agreement and Next Steps. On December 13, 2018, SCE&G and the Authority executed an agreement styled a "Forbearance Agreement" whereby SCE&G reaffirmed its irrevocable waiver of any and all rights in the Forbearance Assets, defined generally as Summer Nuclear Units 2 and 3; ancillary facilities; intellectual property; equipment and materials on-site and off-site including, without limitation assets, materials and equipment that are affixed to the real property at the site but are capable of being removed. Excluded from the definition of Forbearance Assets is the underlying real property; certain specifically identified assets excluded from the abandonment prior to December 31, 2017; substation and switchyard assets; the old NND Building and nuclear fuel. The Forbearance Agreement requires SCE&G seek, within 30 days of the execution of the agreement, approval of the Public Service Commission of South Carolina of the agreement and, during the same 30 day period, take reasonable efforts to obtain the release of any security interest or mortgage attached to the Forbearance Asset.

The execution of the Forbearance Agreement and its successful approval and implementation will set the foundation for possible domestic and international sales of equipment, commodities and plant components covered by the agreement.

Regulatory Accounting Treatment

Nuclear Asset Impairment. On January 22, 2018, the Board approved the use of regulatory accounting for the $4.211 billion impairment write down. The majority of the Project was financed with borrowed funds. For rate-making purposes, the Authority includes the debt service on these borrowed funds in its rates. As such, the impairment will be recorded as a regulatory asset and amortized through November 2056 to align with the associated debt principal payments. In the event the principal maturities change materially the amortization will be adjusted to better align with the new maturities. In 2018, there was a decrease of $8.3 million charged to the nuclear impairment regulatory asset for adjustments after year end 2017, as well as amortization of $4.9 million.

Post Project Suspension Interest Expense. On December 11, 2017 the Board issued a resolution authorizing the use of regulatory accounting to defer a portion of the post suspension Project interest. With the cessation of capitalized interest and the timing of the suspension the Authority would be unable to collect a portion of the post suspension Project interest in rates. The regulatory asset for post suspension nuclear interest totaled $37.1 million and will be amortized through November 2056 to align with the principal payments on the debt used to pay the interest.

Toshiba Settlement Agreement. The Board of Directors also approved a resolution dated December 11, 2017, authorizing using regulatory accounting to defer recognition of income from the Settlement Agreement. The Authority recorded a regulatory deferred inflow of $898.2 million. The deferred inflow will be amortized to align with the manner in which debt service is reduced as a result of using the proceeds.

The following table summarizes nuclear related regulatory items:

Regulatory Item	Classification	Original Amount	2018 Amortization	2018 Changes	2018 Ending Balance
Nuclear impairment	Asset	$ 4.211 billion	($ 4.9 million)	($ 8.1 million)	$ 4.198 billion
Nuclear post-suspension interest	Asset	$ 37.1 million			$ 37.1 million
Toshiba Settlement Agreement	Deferred Inflow	$ 898.2 million	($ 176.6 million)	$ 10.7 million	$ 732.3 million

Note 8 – Leases

Capital Leases
The Authority (Lessor) has a capital lease (the "Office Site Ground Lease Agreement") with Volvo Car USA, LLC (Lessee) covering a ground lease for an improved office site and associated acreage. The lease term is 20 years with annual payments of $404,166.59 due each January 1st, starting January 1, 2018. The sum of the minimum lease payments total $8.1 million and include site work of $5.9 million, land of $0.5 million and interest of $1.7 million (based on the 20-year Treasury Bill on the effective rate of 2.58%). Volvo Car USA, LLC has options to purchase the office site as follows:

1. At any time until the expiration of the capital lease term, Volvo Car USA, LLC shall have a purchase option, the price of which shall be determined as: (i) the amount sufficient to repay in full the land purchase price of $0.5 million; plus (ii) the costs and expenses incurred by the Authority for the site preparation of $5.9 million; plus (iii) interest added at 2.58% per annum; accruing from the work completion date through and until the date of payment by Volvo Car USA, LLC to Santee Cooper of the option purchase price; less (iv) the amount of rent paid by Volvo Car USA, LLC to the Authority as of the date of payment by Volvo Car USA, LLC of the option purchase price.
2. At expiration of the capital lease and if Volvo Car USA, LLC has paid all rent in accordance with the capital lease, Volvo Car USA, LLC shall have a purchase option with an option purchase price of $1.

Total minimum lease payments to be received from Volvo Car USA, LLC as of December 31, 2018 are as follows:

Year Ending December 31,	Minimum Lease Payments (Thousands)
2019	$ 404
2020	404
2021	404
2022	404
2023	404
Thereafter	5,659
Total	$ 7,679

In the period covering the 1950s – 1970s, the Authority entered into several long term leases with Central for Transmission and other assets at the expiration of which, title to those assets would be transferred to the Authority. The final lease term ended in 2014. Work to transfer title of these assets is under way, but has not yet been completed as of December 31, 2018.

Operating Leases

Hydroelectric generating facility lease (Buzzard's Roost):
- Obligation is $600,000 per year plus operating expenses
- Lease will terminate on March 3, 2020.

Note 9 – Contracts with Electric Power Cooperatives

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives which are members of Central. Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement ("the Coordination Agreement"). Under the Coordination Agreement, the Authority is the predominant supplier of energy needs for Central, excluding amounts supplied by Duke to the Upstate Load which is defined below, energy Central receives from the Southeastern Power Administration ("SEPA") and negligible amounts generated and purchased from others.

Central, under the terms of the Coordination Agreement, has the right to audit costs billed to them. Any differences found as a result of this process are accrued if they are probable and estimable. To the extent that differences arise, prospective adjustments are made to the cost of service and are reflected in operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Such adjustments in 2018 and 2017 were not material to the Authority's overall operating revenue.

In September 2009, the Authority and Central entered into an agreement which, among other things, permitted Central to purchase the electric power and energy requirements necessary to serve five of its member cooperatives, (Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc.) who are directly connected to the transmission system of Duke ("the Upstate Load"), from a supplier other than the Authority. The Upstate Load began transitioning to the new supplier, Duke, in 2013. The load transition was complete on January 1, 2019 and amounted to approximately 900 MW.

In 2013 the Central and Authority Boards approved an Amendment to the Coordination Agreement. As part of this Central agreed to extend their rights to terminate the agreement until December 31, 2058. The Coordination Agreement includes a 10-year rolling notice provision. For a termination date of December 31, 2058, a party must give notice of termination no later than December 31, 2048. The Coordination Agreement provides for closer cooperation on planning of future resources, gives Central the ability to "opt-out" of future generation resources, and provides for cost recovery of all resources completed or under construction as of the amendment effective date, including Summer Nuclear Units 2 and 3. Certain matters between the Authority and Central relating to the nuclear project are the subject of litigation, however, the parties continue to conduct business pursuant to the terms of the Coordination Agreement.[2]

Note 10 – Commitments and Contingencies

Budget - The Authority's 2019 three-year capital budget is as follows:

Years Ending December 31,		2019		2020		2021
				(Millions)		
Environmental Compliance [1]	$	111.8	$	44.9	$	32.0
General Improvements and Other [2]		185.1		179.1		195.2
Total capital budget [3]	$	296.9	$	224.0	$	227.2

Budget Assumptions:
[1] The CCR and ELG environmental regulations are undergoing agency review and are subject to court challenges. Given the significant uncertainty about the outcome and eventual requirements, we may not have budgeted sufficient funds depending on final regulations for all potential costs at this time.
[2] Other includes Camp Hall and renewables.
[3] Will be financed by internal funds or debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2018. The disclosure of minimum obligations (including market re-opener contracts) shown below is based on the Authority's contract rates and represents management's best estimate of future expenditures under current long-term arrangements. Additional arrangements are expected to meet the Authority's full demand.

Years Ending December 31,		With Re-openers (All Tons) [1]		Without Re-openers (Fixed Tons) [2]
		(Thousands)		
2019	$	180,276	$	180,276
2020		123,293		123,293
2021		126,910		108,160
2022		0		0
Total	$	430,479	$	411,729

[1] Includes tons which the Authority can elect not to receive.
[2] Includes tons which the Authority must receive.

[2] See Footnote 10 – Legal Matters for a description of a litigation under the subheading *"Jessica S. Cook et al. v. Santee Cooper, Santee Cooper's Board of Directors (certain former and current Directors named), SCE&G, Palmetto Elec. Coop., & Central Elec. Pwr. Coop"* for a description of Central's cross-claim against the Authority seeking, among other things, a declaratory judgment that Santee Cooper breached the Coordination Agreement.

The Authority has the following outstanding obligations under existing long-term capacity and purchased power contracts as of December 31, 2018:

Contracts with Minimum Fixed Payment Obligations[1]

Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	1985	17 Years	$ 0

[1] Obligation reflects the Authority's position that the Rediversion contract does not require a capacity payment beyond the 30 year period which ended on March 23, 2015. (See Footnote 10 – Legal Matters Subsection)

Contracts with Power Receipt and Payment Obligations [1]

Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	2010	7 Years	$ 137.8
2	2013	25 Years	518.0
1	2013	15 Years	6.6

[1] Payment required upon receipt of power. Assumes no change in indices or escalation.

The Authority purchases network integration transmission service through a transmission agreement with SCE&G. This network transmission service is used to serve wholesale customers who are not in the Authority's direct-served territory; the Authority is obligated for costs associated with these transmission agreements. The table below shows the transmission obligations in 2019 and the total transmission obligations for 2019-2029. Note that the transmission obligations associated with the Upstate Load will end in 2019 (concurrent with the end of the transition period). The Authority is no longer responsible for purchasing transmission service for the Upstate Load served by the new supplier. The remaining wholesale customer obligations below represent projected transmission amounts through the term of the current contracts.

Transmission Obligations

	2019	2020-2029
	(Thousands)	
Other Customers	$ 3,268	$ 35,510
Total	$ 3,268	$ 35,510

CSX Transportation, Inc. (CSX) provides substantially all rail transportation service for the Authority's Cross and Winyah coal-fired generating stations. The Authority also interchanges with some short line railroads via CSX for the movement of coal as well. The CSX contract, effective January 1, 2011, and extended per amendment effective January 1, 2018, continues to apply a price per ton of coal moved, along with a mileage based fuel surcharge and minimum tonnage obligation.

The Authority has commitments for nuclear fuel, nuclear fuel conversion, enrichment and fabrication contracts for Summer Nuclear Units 1, 2 and 3. As of December 31, 2018, these contracts total approximately $136.5 million over the next 16 years.

The contract obligations for the Rainey Generating Station Long-Term Parts and Long-Term Service Contract with General Electric International, Inc. ("GEII") were fulfilled in 2018. All covered units have reached the "performance end date" and there are no remaining financial commitments for this agreement.

The Authority successfully negotiated a Contractual Service Agreement with GEII, effective March 2016 that covers all units on the Rainey plant site since fulfilling the obligations under the Long-Term Parts and Long-Term Service Contract in 2018. The Contractual Service Agreement provides unplanned maintenance coverage, rotor replacement and auxiliary parts replacement in addition to a CPM, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators and combustion tuning for the gas turbines. Based on the latest approved fuel forecast, the contract term extends through 2027 and the Authority's estimated remaining commitment on the contract is $99.2 million, including escalation.

Effective November 1, 2000, the Authority contracted with Transcontinental Gas Pipeline Corporation to supply gas transportation needs for its Rainey Generating Station. The service agreement is for 80,000 dekatherms per day of firm capacity. Additionally, for a term beginning November 1, 2017 through December 31, 2020, the Authority has firm capacity of an additional 25,000 dekatherms through a delivered natural gas agreement via TEA.

Byproducts- Coal combustion products ("CCP"), which include fly ash, bottom ash, and flue gas desulfurization products such as gypsum, are produced when coal is burned to generate electricity. The Authority has entered into contracts for the beneficial use of CCPs and continually looks for new markets. The Authority supplies and delivers drywall quality gypsum to American Gypsum Company ("AG") in Georgetown, South Carolina under a long term contract that includes a minimum and maximum supply boundary. The gypsum is primarily sourced from synthetic gypsum produced at the Cross Generating Station ("CGS") and Winyah Generating Station ("WGS"). Currently and under projected dispatch assumptions, gypsum produced at CGS and WGS does not meet required minimums, and shortfalls are obtained from several external sources of both natural and synthetic gypsum. Sources may vary based on availability and cost. Natural gypsum is currently purchased and delivered from International Materials Inc. Synthetic gypsum is currently purchased from Cameron Ag Products, LLC ("Cam Ag"). Cam Ag provides this source via rail from Plant Bowen in Georgia to Jefferies Station.

In February 2019, the Authority entered into a contract with Meridian WGS, LLC ("Meridian") to convert low quality gypsum slurry stored at WGS into drywall quality gypsum using a proprietary process. The Authority has also entered into a lease agreement with Meridian that will allow it to construct its facility at WGS. Pending Meridian obtaining financing for construction, it will permit, construct and operate the conversion facility at WGS to produce drywall quality gypsum that can be used to meet contracted obligations. The conversion process allows waste material to be converted and beneficially used as drywall quality gypsum while providing an environmentally responsible and low cost option to close the slurry pond.

Additionally, ponded ash is reclaimed from the Authority's ash ponds for use in the cement industry, dry fly ash is recovered directly from the operating units for use in the cement industry, and bottom ash is beneficially used by concrete block manufacturers to produce concrete block. The Authority has multiple beneficial use agreements to facilitate beneficial use activities, one of which is the STAR Processed Fly Ash Operating and Sales Agreement between the Authority and The SEFA Group, Inc. ("SEFA"). Pursuant to this Agreement, Santee Cooper supplies dry fly ash and/or ponded ash to SEFA who processes it in their staged turbulent air reactor ("STAR") unit to produce a high quality ash which they market to the concrete industry.

Risk Management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2018. Policies are subject to deductibles ranging from $500 to $2.0 million, with the exception of named storm losses which carry deductibles from $2.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2018, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, worker's compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Estimated exposure for worker's compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2018. In addition, there have been no third-party claims regarding environmental damages for 2018 or 2017.

Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The amount of the self-insurance liabilities for auto, dental, worker's compensation and environmental remediation is based on the best estimate available. Changes in the reported liability were as follows:

Years Ended December 31,	**2018**	2017
	(Thousands)	
Unpaid claims and claim expense at beginning of year	**$ 1,680**	$ 2,019
Incurred claims and claim adjustment expenses:		
Add: Provision for current year events	**1,796**	2,572
Less: Payments for current and prior years	**2,401**	2,911
Total unpaid claims and claim expenses at end of year	**$ 1,075**	$ 1,680

The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. The State assumes all risks for the following:

(1) claims of covered employees for health benefits covered through South Carolina Public Employee Benefit Authority ("PEBA") Insurance Benefits; not applicable for worker's compensation injuries; and
(2) claims of covered employees for basic long-term disability and group life insurance benefits (PEBA Insurance Benefits and PEBA Retirement Benefits).

Employees elect health coverage through the State's self-insured plans with the exception of employee dental insurance for which the Authority is self-insured. Risk exposure for the dental plan is limited by plan provisions. Additional group life and long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the State's self-insured plan.

Nuclear Insurance - The maximum liability for public claims arising from any nuclear incident has been established at $14.073 billion by the Price-Anderson Indemnification Act. This $14.073 billion would be covered by nuclear liability insurance of $450.0 million per reactor unit, with potential retrospective assessments of up to $137.6 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $20.5 million per incident, per year). Based on its one-third interest in Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $45.9 million, not to exceed approximately $6.8 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC. Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.500 billion primary and $1.250 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain an excess property insurance policy with European Mutual Association for Nuclear Insurance (EMANI) to cover property damage and outage costs up to $415.0 million resulting from an event of non-nuclear origin. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.4 million for the primary policy, $3.5 million for the excess policies and $1.8 million for the accidental outage policy.

SCE&G and the Authority maintained builder's risk insurance for the Summer Nuclear Units 2 and 3 construction. The builder's risk policy, carried by NEIL, was cancelled by SCE&G effective December 27, 2017 and carries a potential retrospective premium of approximately $42.0 million for six years from the cancellation date. Based on the Authority's current 45 percent ownership interest, the Authority's maximum retrospective premium would be approximately $18.9 million. The marine cargo/transit policy coverage was cancelled by SCE&G on January 31, 2018.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2018.

Clean Air Act - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

In addition to the existing Clean Air Act ("CAA") Federal Acid Rain Program, the Environmental Protection Agency ("EPA") has implemented the Cross State Air Pollution Rule ("CSAPR") for SO2 and NOx emissions, effective January 1, 2015. The CSAPR rule does not negatively impact the Authority.

The Authority continues to review proposed greenhouse gas regulations and legislation to assess potential impacts to its operations. In 2010, EPA finalized the Prevention of Significant Deterioration ("PSD") Tailoring Rule for regulating greenhouse gases through the PSD permitting process under the existing CAA. EPA issued Best Available Control Technology ("BACT") Guidance in 2010 for use under the rule effective July 1, 2011. In 2014, EPA proposed three separate rules for (1) new, (2) existing, and (3) modified and reconstructed Electric Generating Units ("EGU"). On August 3, 2015, EPA announced a final rule to regulate carbon dioxide emissions from power plants entitled the Clean Power Plan ("CPP"). The final rule was published in the Federal Register on October 23, 2015. On February 9, 2016, the Supreme Court in a 5-4 vote granted an emergency stay of the CPP. In 2017, EPA proposed to repeal and replace the CPP, and in 2018 EPA issued a draft replacement rule, the Affordable Clean Energy ("ACE") Rule. This draft rule provides that the best system of emission reduction ("BSER") for existing units is based on heat rate improvement measures. The comment period for this draft rule ended on October 30, 2018, and EPA is currently reviewing comments with no projected rule completion date. The CPP stay remains in effect.

Through the maximum achievable control technology ("MACT") regulatory process, EPA has promulgated Utility MACT regulations to reduce the emissions of mercury and other hazardous air pollutants ("HAPs") from coal- and oil-fired electric utility steam boilers. The final MACT rule, renamed the Mercury and Air Toxics Standard ("MATS"), became effective April 16, 2015. The MATS rule includes emissions limitations for mercury, acid gases and other HAPS from existing and new coal-fired and oil-fired electric utility steam units. This is EPA's first national standard to reduce mercury and other air toxins from coal-fired and oil-fired power plants. On December 26, 2018, in response to a U.S. Supreme Court ruling, EPA proposed to determine that it is not "appropriate and necessary" to regulate HAP emissions from power plants under Section 112 of the Clean Air Act based on the cost of compliance relative to the HAP benefits of the regulation. However, the emissions standards and other requirements of the MATS rule would remain in place, since EPA is not proposing to remove coal-fired and oil-fired power plants from the list of sources that are regulated under Section 112 of the Act. Comments on this proposal are due within 60 days of its publication in the Federal Register. All Santee Cooper coal units are in compliance with the MATS rule.

On November 26, 2014, EPA completed the federally mandated 5-year review of the national ambient air quality standards ("NAAQS") and proposed a revised (more stringent) ground-level ozone standard range. This applies to both the primary (public health) and secondary (public welfare) standards. On October 1, 2015, EPA announced that the new NAAQS for ozone would be set at 70 parts per billion. This applies to both the primary and secondary ozone standards. On December 6, 2018, EPA's final state implementation plan ("SIP") requirements in nonattainment areas were published in the Federal Register. However, EPA projections, based on current monitoring networks, are that all counties in South Carolina will meet the revised standard without taking additional action to reduce emissions.

Safe Drinking Water Act - The Authority continues to monitor regulatory issues impacting drinking water systems at the Authority's regional water systems, generating stations, substations and other auxiliary facilities. DHEC has regulatory authority of potable water systems in South Carolina under The State Primary Drinking Water Regulation, R.61-58; the Authority endeavors to manage its potable water systems in compliance with R.61-58.

Clean Water Act - The Clean Water Act ("CWA") prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System ("NPDES") permit program. DHEC has been delegated NPDES permitting authority by the EPA and administers the NPDES permit program for the State.

Wastewater discharges from the generating stations and the regional water plants are governed by NPDES permits issued by DHEC. Further, the storm water from the generating stations must be managed in accordance with the State's NPDES Industrial General Permit for storm water discharges. Storm water from construction activities must also be managed under the State's NPDES General Permit for storm water discharges from construction activity. The Authority endeavors to operate in compliance with these permits.

The EPA issued their final rule regarding Section 316(b) of the CWA on August 15, 2014. The rule establishes requirements for cooling water intake structures ("CWISs") at existing facilities. Section 316(b) of the CWA requires that the location, design, construction and capacity of CWISs reflect the best technology available (BTA) for minimizing adverse environmental impacts. Santee Cooper will continue to work with the regulatory agencies on implementation as required. The Authority believes compliance costs are not significant.
The EPA regulates oil spills prevention and preparedness under the CWA, Spill Prevention Control and Counter-measures ("SPCC"). These regulations require that applicable facilities, which include generating stations, substations and auxiliary facilities, maintain SPCC plans to meet certain standards. The Authority continually works to be in compliance with these regulations.

The EPA has also been developing a new rule specifying requirements for spill prevention and preparedness for chemicals stored in aboveground storage tanks. Under a consent decree issued on February 16, 2016, EPA is required to create new regulations that establish procedures, methods, equipment, and other requirements to prevent hazardous substance discharges. On June 25, 2018, EPA published a proposed rule that determined no additional actions are necessary to prevent these discharges. The public comment period for the proposed rule closed on August 24, 2018, and EPA is expected to take final action by mid- to late-2019. The Authority will continue to monitor the rule as it is being developed to determine the impacts.

The NPDES Steam Electric Effluent Limitation Guidelines ("ELG") rule became effective on January 4, 2016. It applies to all existing steam electric units greater than 50 MWs (other than oil-fired) and is to be phased in as soon as possible beginning November 1, 2018, but no later than December 31, 2023, via the reissuance of generating station NPDES Permits. New standards included a prohibition on discharge of bottom ash sluice water and stringent effluent limitations on flue gas desulfurization wastewater. In 2017, EPA announced its intent to conduct a new rulemaking which may revise some elements of the rule, and postponed the earliest compliance dates by two years to November 1, 2020; in practice, compliance with the ELG rule is integrated with the CCR rule (discussed further below). Portions of the rule that impact the Authority have been stayed, and the revised rule has not yet been published but is expected within the next six months.

The 2015 "Waters of the U.S." rule ("WOTUS"), which expands the federal jurisdiction under the Clean Water Act and would require additional permitting and mitigation for new construction or expansion projects regulated as Waters of the U.S., remains under judicial and agency review. The rule has had numerous legal challenges that have prevented it from going into effect in South Carolina at this time. A revised rule was released as a prepublication version on December 11, 2018. It will have a 60-day comment period once it is published in the Federal Register. The Authority's review of this new rule is ongoing, and we will continue to monitor further developments for potential impacts.

Hazardous and Non-Hazardous Substances, Solid Wastes and Coal Combustion Byproducts - Section 311 of the CWA imposes substantial penalties for spills of Federal EPA-listed hazardous substances into water and for failure to report such spills. The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") provides for the reporting requirements to cover the release of hazardous substances into the environment. Additionally, the EPA regulations under the Toxic Substances Control Act ("TSCA") impose stringent requirements for labeling, handling, storing and disposing of polychlorinated biphenyls (PCBs) and associated equipment.

Under the CERCLA and Superfund Amendments and Reauthorization Act ("SARA"), the Authority could be held responsible for damages and remedial action at hazardous waste disposal facilities utilized by it, if such facilities become part of a Superfund effort. Moreover, under SARA, the Authority must comply with a program of emergency planning and a "Community Right-To-Know" program designed to inform the public about more routine chemical hazards present at the facilities. Both programs have stringent enforcement provisions. The Authority endeavors to comply with the applicable provisions of TSCA, CERCLA and SARA, but it is not possible to determine if some liability may be imposed in the future for past waste disposal or compliance with new regulatory requirements. The Authority strives to comply with all aspects of the Resource Conservation and Recovery Act (RCRA) regarding appropriate disposal of hazardous wastes.

The Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, scrubber sludge and gypsum. These wastes, known as Coal Combustion Residuals ("CCRs"), are exempt from hazardous waste regulation under the RCRA. On April 17, 2015, EPA published a rule that establishes a comprehensive set of requirements for the management and disposal of CCRs. The rule regulates CCRs as a RCRA Subtitle D, nonhazardous waste and had an effective date of October 19, 2015. In 2018 the rule was modified (the CCR Remand Rule) and additional future rule modifications are anticipated. The Authority continues to comply with the CCR rule, including through groundwater monitoring and internet postings of CCR rule reports. Long-term compliance plans include pond closures and utilization of Class 3 landfills at Cross and Winyah for disposal of CCRs. Beneficial use of ash and gypsum results in removal of CCRs from ponds to support closure and fewer CCRs being disposed of in the on-site landfills. Compliance costs for the CCR rule and related ELG rule will be determined as the requirements are clarified.

On November 2, 2018, DHEC issued a Permit to operate the newly constructed Class 3 landfill at Winyah Generating Station. The on-site landfill is now in operation.

The Authority has retired units and ancillary facilities at both the Grainger and Jefferies Generating Stations. Closure plans for both the Grainger and the Jefferies ash ponds have been approved by DHEC and closure through excavation, beneficial use, or landfilling material in a class 3 landfill is in progress.

The Solid Waste Disposal Act and Energy Policy Act give EPA authority to regulate Underground Storage Tanks (USTs). EPA regulations concerning USTs are contained in 40 CFR Parts 280-282. DHEC has granted state program approval in 2002 and regulates USTs under R. 61-92, Part 280 dated 2008. This regulation provides requirements for the design, installation, operation, closure, release detection, reporting and corrective action and financial responsibility. The Authority's corporate policy number 2-11-02 provides guidance for the proper management and monitoring of USTs for environmental and regulatory compliance.

Pollution Remediation Obligations – The Authority follows GASB 49 which addresses standards for pollution (including contamination) remediation obligations for activities such as site assessments and cleanups. GASB 49 does not include standards for pollution remediation obligations that are addressed elsewhere. Examples of obligations addressed in other standards include pollution prevention and control obligations for remediation activities required upon the retirement of an asset, such as ash pond closure and post-closure care and nuclear power plant decommissioning.

No pollution remediation liabilities were recorded for the years ended December 31, 2018 and 2017.

FERC Hydroelectric License - The Authority operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of the Authority's integrated hydroelectric complex, under a license issued by the FERC pursuant to the Federal Power Act ("FPA"). The project is currently undergoing relicensing and a Notice of Intent ("NOI") to relicense was filed with the FERC on November 13, 2000. The final license application was filed March 15, 2004. Due to a number of additional Information Requests, the relicensing process has extended beyond the March 31, 2006 license expiration date. The FERC has issued a standing annual license renewal until a final license is issued. The FERC issued its Final Environmental Impact Statement ("EIS") in October 2007. The South Carolina Department of Natural Resources, the U.S. Fish and Wildlife Service, and the Authority have jointly signed and filed a settlement agreement with the FERC that among other things, identifies fish passage and outflow guidelines during the term of the next license. The National Marine Fisheries Service ("NMFS") chose not to join in the settlement agreement and has submitted mandatory fishway conditions under §18 of the FPA and flow recommendations under §10 of that Act that are inconsistent with the settlement agreement. In November 2007, FERC requested that NMFS undertake an Endangered Species Act ("ESA") Section 7 consultation with regard to the relicensing project. In July of 2010, as a function of the required Section 7 consultation, NMFS submitted a draft biological opinion containing recommendations for the endangered shortnose sturgeon. The recommendations, if adopted, would result in substantial additional costs for operating the project. The Authority provided a response to those recommendations in September 2010. The Authority cannot predict when NMFS will issue a final biological opinion or the final outcome of the FERC relicensing process.

Homeland Security - The Department of Homeland Security ("DHS") was established by the Homeland Security Act of 2002, a portion of which relates to anti-terrorism standards at facilities which store or process chemicals. The Chemical Facility Anti-Terrorism Standards (CFATS) program identifies and regulates high-risk chemicals facilities to ensure they have security measures in place to reduce the risk associated with these chemicals. The Authority has been proactive in striving to comply with these evolving regulations by conducting valid threat and risk assessments to the facilities regulated by the CFATS program, also referred to as 6 CFR, Part 27. Once completed, the assessments become sensitive, federally controlled documents and are stored in accordance with all federal and state guidelines attendant to critical infrastructure information protection.

Legislative Matters - On June 29, 2018, the South Carolina General Assembly ("General Assembly") ratified a State budget for FY 2018-2019, which runs from July 1 to June 30. The State budget included a proviso addressing Santee Cooper, also known as the South Carolina Public Service Authority. Part 1B Proviso 117.162 established a Public Service Authority Evaluation and Recommendation Committee ("Evaluation Committee") comprised of the Governor, four SC Senators and four SC House Members.

An objective of the Evaluation Committee is to determine a manner in which the General Assembly may best protect ratepayers and taxpayers in regard to Santee Cooper. This includes analyzing whether selling Santee Cooper is in the best interest of the State and Santee Cooper's customers or whether Santee Cooper should be retained by the State.

From August 7, 2018 to February 6, 2019, the Evaluation Committee held six meetings. The Evaluation Committee hired ICF International, Inc. ("ICF") to assist the Evaluation Committee with its review and to facilitate a process to receive and evaluate non-binding indicative bid proposals for the full purchase of Santee Cooper, to receive alternative proposals, and to conduct a valuation of Santee Cooper. On February 1, 2019, ICF issued its report to the Evaluation Committee. The SC General Assembly is now expected to continue its review of Santee Cooper which includes, among other things, the consideration of various alternatives for Santee Cooper such as managing or restructuring Santee Cooper or selling portions of its assets.

On February 21, 2019, the South Carolina Senate announced the creation of the Select Committee on Santee Cooper. The Senate has not yet set a date for the first meeting of the Select Committee.

The General Assembly is scheduled to meet from January 8, 2019 to May 9, 2019. Legislation may be introduced that impacts Santee Cooper's operations. Santee Cooper will be educating and informing the General Assembly of the impact of any relevant legislation that may impact its customers and operations.

Legal Matters - Except as noted below, there are no actions, suits, or governmental proceedings pending or, to the knowledge of the Authority, threatened before any court, administrative agency, arbitrator or governmental body which would, if determined adversely to the Authority, have a material adverse effect on its financial condition.

Pee Dee Class Action. A purported class action was filed by George Hearn on behalf of the Authority's retail customers (case no. 2017-CP-26-5256 in Horry County, S.C.). The complaint contains a number of causes of action and allegations related to the Authority's decisions to construct and cancel construction of a coal-fired generation project in Florence County, South Carolina. The Authority's motion to dismiss was heard on September 27, 2018. No decision has been issued. However, even if determined adversely to the Authority, this action would not have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

The Authority cannot predict the outcome of this matter.

Century Antitrust Suit. On January 30, 2017, Century Aluminum filed suit alleging violations of the Sherman Act, the Clayton Act, the South Carolina Unfair Trade Practices Act, and the South Carolina Antitrust Act (case no. 2:17-cv-00274-RMG in U.S. Dist. Court, Dist. of S.C., Charleston Division). On October 10, 2017 the court entered an order granting Santee Cooper's motion to dismiss based upon the state action immunity doctrine. Century filed a notice of appeal on the same day (case no.17-2192 in the U.S. Court of Appeals for the Fourth Cir.). On October 8, 2018, the parties agreed to settle this matter with Century dismissing its appeal, leaving the district court order in place.

Santee Cooper v. U.S. Army Corps of Engineers. The Authority filed a claim against the COE seeking a determination that the COE Re-diversion Contract does not require Santee Cooper to credit the COE for a capacity value surcharge and that the COE owes Santee Cooper approximately 1.4 million in contract payments for 2015. The COE denied the claim, asserted the Authority was required to pay the credit, and that a credit in the amount of $716,874 was due to the COE for 2015. The Authority appealed the decision to the Armed Services Board of Contract Appeals ("ASBCA") and the COE counterclaimed. The parties have asked the ASBCA to determine the rights under the contract. If the ASBCA determines that no credit is required, the Authority will prevail at the Board level. If the ASBCA determines that a credit is required, the parties will be required to attempt to determine the amount of the credit due to the COE for the remainder of the contract. If the parties do not reach an agreement, the court will make a determination of the amount.

The parties briefed the issues in the summer of 2018 but no timetable for a decision has been provided by the ASBCA. The parties have attempted settlement discussions but have been unsuccessful.

Santee Cooper cannot predict the outcome of this matter.

Summer Nuclear Units 2 and 3 Class Actions. Five purported class actions were filed on behalf of individuals either directly or indirectly served by the Authority. The complaints contain a number of causes of action and allegations related to the Authority's decisions to construct and cancel construction of two nuclear generation units in Fairfield County, SC. The Authority cannot predict the outcome of these lawsuits. If determined adversely to the Authority, these actions may possibly have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

- ***Hope Brown et al. v. Santee Cooper and SCANA*** (case no. 2017-CP-40-05409 in Richland County, S.C.): Plaintiffs filed a complaint on September 8, 2017; SCANA removed the case to the U.S. Dist., Dist. of S.C., Columbia Division on October 12, 2017 (case no. 3:17-2764-TLW); on November 14, 2017, Plaintiffs voluntarily dismissed this action.

- ***Chris Kolbe et al. v. Santee Cooper, Santee Cooper's Board of Directors (certain former and current Directors named), et al.*** (case no. 2017-CP-08-02009 in Berkeley County, S.C.): Plaintiffs filed an amended complaint on September 29, 2017; Santee Cooper and the Directors filed a motion to dismiss the amended complaint on November 22, 2017; Plaintiffs voluntarily dismissed this action on March 27, 2018.

- ***Christine Delmater et al. v. Santee Cooper, Lonnie Carter, et al.*** (case no. 3:17-cv-02563-TLW in the U.S. Dist. Court, Dist. of S.C., Columbia Division): Plaintiffs filed a second amended complaint on November 7, 2017; Santee Cooper and Carter filed motions to dismiss the second amended complaint on January 10, 2018; Plaintiffs voluntarily dismissed this action on May 18, 2018.

- ***Jessica S. Cook et al. v. Santee Cooper, Santee Cooper's Board of Directors (certain former and current Directors named), SCE&G, Palmetto Elec. Coop., & Central Elec. Pwr. Coop.*** (case no. 2017-CP-25-348 in Hampton County, S.C): Plaintiffs originally filed this putative class action on August 22, 2017 in connection with Santee Cooper's decision to suspend construction and SCE&G's decision to abandon construction of. Summer Nuclear Units 2 and 3. The Fourth Amended Complaint was filed on March 27, 2018. The proposed class includes all ratepayers of Santee Cooper who paid utility bills that included "pre-construction, capital, in-service, construction, interest, and other pre-operational costs associated with the V.C. Summer Nuclear Reactor Unit 2 and 3 Project from January 1, 2007, to the present." Two putative subclasses are proposed: (1) direct Santee Cooper customers and (2) cooperative customers who indirectly purchased from Santee Cooper.

  The Fourth Amended Complaint asserts various causes of action against Santee Cooper, its directors, SCE&G, SCANA, Central Electric Cooperative, and Palmetto Electric Cooperative. Plaintiffs assert five claims against Santee Cooper alone: (1) declaratory judgment that the rates were not statutorily authorized; (2) breach of contract and/or implied contract on behalf of direct customers; (3) unconstitutional taking; (4) violation of due process; and (5) breach of contract and/or implied contract on behalf of indirect customers. Plaintiffs assert two claims on behalf of direct customers against Santee Cooper's board members in their official capacities: (1) breach of statutory duties and (2) breach of fiduciary duties. Plaintiffs also assert claims for (1) breach of contract and/or implied contract against Central/Palmetto Electric and SCANA/SCE&G. Finally, Plaintiffs assert four claims against all defendants: (1) negligence; (2) unjust enrichment/money had and received; (3) constructive trust (over the Toshiba settlement funds, any sale profits, and previously-paid rates); and (4) equity.

  Central Electric Cooperative answered Plaintiffs' Fourth Amended Complaint and filed cross-claims against Santee Cooper: (1) declaratory judgment that Santee Cooper breached its statutory duties; (2) declaratory judgment that Santee Cooper breached the coordination agreement; and (3) constructive trust (over the Toshiba payment and Citibank payment). Central does not assert a claim for damages, but asks for 70% of the lump sum payment Santee Cooper received from Citibank through monetization of the Toshiba settlement based on Central's allegation that it bears approximately 70% of Santee Cooper's capital costs.

  Palmetto Electric Cooperative answered Plaintiffs' Fourth Amended Complaint and filed seven cross-claims against SCANA, SCE&G, Santee Cooper, and Santee Cooper's directors. Three of those cross-claims are asserted against all defendants: (1) negligence; (2) unjust enrichment; and (3) equity. Three cross-claims are asserted against Santee Cooper alone: (1) taking; (2) for a declaratory judgment that Santee Cooper breached its statutory duties for charging rates for facilities that are not used and useful; and (3) constructive trust over the Toshiba payment and Citibank payment. Finally, one cross-claim is asserted against Santee Cooper's Directors alone: for a declaratory judgment that Santee Cooper's directors breached their statutory duties for charging rates that are not just and reasonable.

Santee Cooper and the Directors' motions to dismiss Plaintiffs' Complaint, Central's cross-claims, and Palmetto's cross-claims were denied in November 2018. The following month, Santee Cooper filed cross-claims against SCE&G: (1) gross negligence, (2) breach of fiduciary duties, (3) breach of contract accompanied by bad faith, (4) waste, (5) contractual indemnification, and (6) equitable indemnification. On January 31, 2019, SCE&G filed a Motion to Dismiss or in the Alternative Stay and Compel Arbitration with regard to the cross-claims. Discovery is proceeding.

Relatedly, in June 2018, Santee Cooper filed a petition with the South Carolina Supreme Court (appellate case no. 2018-001172), asking it to exercise its original jurisdiction to address whether Santee Cooper must comply with the statute specifically requiring it to fix, maintain, and collect charges at rates sufficient to provide for payment of all its expenses, the conservation, maintenance and operation of its facilities, the payment of principal and interest on its debt, and the fulfillment of its obligations to holders of other bonds and other debt – including the costs, expenses and obligations associated with Summer Nuclear Units 2 and 3. Defendants named in this matter are those who have filed claims against Santee Cooper related to these issues (including Cook, Glibowski, Central Electric Power Cooperative, and Palmetto Electric Power Cooperative). On February 22, 2019, the Court issued its order denying Santee Cooper's petition.

The Authority cannot predict the outcome of this matter.

- ***Timothy Glibowski et al. v. SCANA, SCE&G, Santee Cooper, Kevin Marsh, Jimmy Addison, Stephen Byrne, Martin Phalen, Mark Cannon, Russell Harris, Ronald Lindsay, James Micali, and Lonnie Carter*** (case no. 9:18-cv-273-TLW in the U.S. Dist. Court, Dist. of S.C., Beaufort Division): Plaintiffs filed this putative class action in connection with the decision to abandon construction of Summer Nuclear Units 2 and 3. The Second Amended Complaint was filed on January 28, 2019. It includes two proposed classes: (1) SCANA customers and (2) Santee Cooper customers who were charged and paid advance charges for costs associated with the construction of the units from 2007 to the present.

  The Second Amended Complaint asserts RICO and RICO conspiracy claims against SCANA, SCE&G, SCANA's officers, Santee Cooper, and the following Santee Cooper employees: Lonnie Carter (retired), Marion Cherry, and Michael Crosby. It also asserts a takings claim against SCANA, SCE&G, and Santee Cooper. Plaintiffs seek actual damages, treble damages under RICO, and attorneys' fees.

  On September 4, 2018, Santee Cooper filed a motion asking the court to certify two questions to the S.C. Supreme Court: (1) whether Santee Cooper is required by law to fix, maintain, and collect charges at rates sufficient to provide for payment of all its expenses, the conservation, maintenance and operation of its facilities, the payment of principal and interest on its debt, and the fulfillment of its obligations to holders of bonds and other debt – including the costs, expenses, and obligations associated with V.C. Summer Units 2 and 3 and (2) whether Santee Cooper is immune from Plaintiffs' claims for money damages under the doctrine of sovereign immunity and the S.C. Tort Claims Act. No ruling has been made.

  The Authority cannot predict the outcome of this matter.

Petition in the Original Jurisdiction. Santee Cooper filed a petition for original jurisdiction and complaint in the original jurisdiction of the South Carolina Supreme Court on June 25, 2018 (appellate case no. 2018-001172), naming as defendants the parties in the *Cook* action: individual ratepayers, Central Electric Power Cooperative Inc., and Palmetto Electric Power Cooperative.

The Authority seeks a declaration it must raise revenues from its customers through rates at least sufficient to pay all of its costs and expenses, the conservation, maintenance, and operation of its facilities, payment of principal and interest on indebtedness, and to fulfill all agreements with and obligations to debtholders, including those related to Summer Nuclear Units 2 and 3. The Authority also requests an injunction against the defendants and all others from using the courts of South Carolina to alter, limit, or restrict Santee Cooper's ability to follow the covenant. Central filed a return to the petition, opposing Santee Cooper's request for the Supreme Court entertain the action in its original jurisdiction. Palmetto joined in Central's return. The individual ratepayers filed a separate return. Santee Cooper filed replies to all returns. The Court has not yet accepted or rejected Santee Cooper's petition.

The Authority cannot predict the outcome of this matter.

Summer Nuclear Units 2 and 3 Governmental Inquiries. Various executive-branch entities have requested information related to Summer Nuclear Units 2 and 3. Specifically, the Authority has received subpoenas for information from the U.S. Securities & Exchange Commission and the U.S. Department of Justice. It has also received information requests and directives to provide information from the Governor of South Carolina. The Authority also received legislative inquiries from the S.C. House of Representatives and the S.C. Senate. The Authority continues to comply and cooperate with these subpoenas, information requests and directives and legislative inquiries.

BP Amoco Chemical Co. On August 25, 2017, BP Amoco Chemical Co. made a claim for $9,709,506.00 as property damage and income loss sustained because of an unexpected outage at its BP Cooper River Chemical Plant (Berkeley County, S.C.) on May 4, 2017. It appears the unexpected outage occurred during a routine maintenance operation, resulting in in BP being without power for approximately 11 minutes. BP receives power from Santee Cooper pursuant to a service agreement, which limits liability. Santee Cooper denies liability. No action has been filed.

The Authority cannot predict the outcome of this matter.

***Sales Tax* –** On January 26, 2018 the SC DOR notified SCE&G that the sales and use tax returns for the Summer Nuclear 2&3 project have been assigned for a sales and use tax audit. During a meeting on February 8th, the DOR clarified its position that, because the VC Summer 2&3 project had been abandoned and the manufacturing facility was not completed and would not produce electricity, the materials for the Project were not tax-exempt and sales taxes were due on previously tax exempt purchases. On May 31, 2018, the SC DOR notified SCE&G that, since all of the information requested of SCE&G was not provided; a Proposed Notice of Assessment was generated. The full assessment, which was based on information obtained by the department, was for $421 million. On October 1, 2018 Santee Cooper's outside counsel submitted on Santee Cooper's behalf a Protest to Notice of Proposed Assessment Department File No. 020800475. As of December 31, 2018, Santee Cooper continues to dispute the position that sales taxes are due and owing.

Note 11 – Retirement Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement System ("SCRS") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

***Plan Description* -** Substantially all Authority regular employees must participate in one of the components of the SCRS, a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws.

***Benefit Provided* -** Vested employees ("Class Two Members") who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. Vested employees (Class Three Members) who retire at age 65 or meet the "rule of 90 requirements" (i.e., the total of the member's age and the member's creditable service equals at least 90 years), are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service for Class Two Members and eight years for Class Three Members. Reduced retirement benefits are payable as early as age 60 with vested service or 55 with 25 years of service for Class Two Members. The SCRS also provides death and disability benefits. Benefits are established by State statute.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allowed SCRS employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive ("TERI") Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit or disability retirement benefits. Effective July 1, 2005, TERI employees began "re-contributing" to the SCRS at the prevailing rate. However, no service credit is earned under the new regulations. The group life insurance of one times annual salary was re-established for TERI participants.

Effective July 1, 2012, the TERI program will close for Class Two members (members with effective date prior to July 1, 2012) on June 30, 2018, and it is not available to Class Three members (members with effective date on or after July 1, 2012). TERI was phased out in a 5-4-3-2-1 format. The TERI program ended on June 30, 2018, regardless of when a member entered the program.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits and employee/employer contributions.

Effective July 1, 2002, new employees have a choice of the type of retirement plan in which to enroll. The State Optional Retirement Plan ("State ORP") which is a defined contribution plan is an alternative to the SCRS retirement plan which is a defined benefit plan. The contribution amounts are the same, (9.00 percent employee cost and 14.41 percent employer cost); however, under the State ORP, 5.00 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 9.41 percent is contributed to the SCRS. As of December 31, 2017, the Authority had 73 employees participating in the State ORP and consequently the related payments are not material.

Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 (the "Act") increased employer retirement contribution rates by 2 percent to 13.56 percent for SCRS. The employer contribution rate for the State ORP was increased to 13.56 percent, with 5 percent of the employer contribution being remitted directly to the participant's State ORP investment provider. The employer rate will continue to increase annually by 1 percent through July 1, 2022, with the ultimate employer rate reaching 18.56 percent. Employee rates for SCRS and the State ORP increased to and are capped at 9 percent. Employer and employee contribution rates may be decreased in equal amounts once the system is 85 percent funded. The employee contribution rate may not be less than ½ of the normal cost for the system. The Act also reduced the funding period for unfunded liabilities from 30 to 20 years over the next 10 years as well as lowered the current assumed annual rate of return from 7.5 percent to 7.25 percent. The assumed annual rate of return will expire July 1, 2021 and every four years thereafter. PEBA must propose an annual rate of return every four years, which will become effective if the General Assembly fails to enact a rate of return.

Contributions - All employees are required by State statute to contribute to the SCRS at the prevailing rate, currently 9.00 percent. The Authority contributed 14.41 percent of the total payroll for SCRS retirement. For 2018, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirements for the prior four years were as follows:

Years Ended December 31,	**2018**	2017	2016	2015
		(Millions)		
From the Authority	**$ 19.80**	$ 17.70	$ 15.60	$ 14.80
From employees	**12.8**	12.6	11.8	11
Authority's covered payroll	**142.3**	142.7	140.1	136.4
Authority's contributions as a percentage of covered payroll	**13.9%**	12.4%	11.1%	10.9%

The Authority made 100 percent of the required contributions for each of the four years.

Liabilities, Expense and Deferred Outflows (Inflows) of Resources Related to Pensions - At December 31, 2018, the Authority reported a liability of $338.1 million. This includes its share of the net pension liability from SCRS as well as pension liabilities associated with the supplemental executive retirement plans ("SERP") noted under post-employment benefits, which were immaterial. The SCRS net pension liability was measured as of June 30, 2018 and determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the total net pension liability was based on the ratio of our actual contributions of $18.6 million paid to SCRS for the year ended June 30, 2018 relative to the actual contributions of $1.3 billion from all participating employers. The schedule of the Authority's proportionate share of the net pension liability for the years ended June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Authority's proportion of the net pension liability (%)	**1.43%**	1.43%
Authority's proportion of the net pension liability (millions)	**$ 321.8**	$ 323.1
Authority's covered employee payroll (millions)	**$ 142.3**	$ 142.7
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	**226%**	226%
Plan fiduciary net position as a percentage of the total pension liability	**54.10%**	53.30%

For the year ended December 31, 2018, the Authority recognized a pension expense of $30.6 million, our proportionate share of the total pension expense. At December 31, 2018, the Authority reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Thousands)	
Differences between expected and actual experience	**$ 637**	**$ 1,882**
Changes of assumptions	**12,816**	**0**
Net difference between projected and actual earnings on pension plan investments	**15,957**	**10,837**
Changes in proportion and differences between Authority's contributions and proportionate share of plan contributions	**513**	**1,638**
Authority's contributions subsequent to the measurement date	**8,733**	**0**
Total	**$ 38,656**	**$ 14,357**

The Authority reported $8.7 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2018. Average remaining service lives of all employees provided with pensions through the pension plans at July 1, 2017, was 4.080 years for SCRS.

Year Ending December 31:	
	(Thousands)
2019	**$ 12,192**
2020	**7,481**
2021	**(3,591)**
2022	**(516)**
Total	**$ 15,566**

For the year ended December 31, 2017, the Authority recognized a pension expense of $32.0 million, our proportionate share of the total pension expense. At December 31, 2017, the Authority reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Thousands)	
Differences between expected and actual experience	$ 1,448	$ 178
Changes of assumptions	18,978	0
Net difference between projected and actual earnings on pension plan investments	9,034	0
Changes in proportion and differences between Authority's contributions and proportionate share of plan contributions	719	2,639
Authority's contributions subsequent to the measurement date	8,318	0
Total	$ 38,497	$ 2,817

The Authority reported $8.3 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2017. Average remaining service lives of all employees provided with pensions through the pension plans at July 1, 2016, measurement date was 4.073 years for SCRS.

Year Ending December 31:	
	(Thousands)
2018	$ 8,100
2019	13,250
2020	8,542
2021	(2,529)
Total	$ 27,363

Actuarial Assumptions - Actuarial valuations of the Authority involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Significant actuarial assumptions and other inputs used to measure the total pension liability as of December 31, 2018:

- **Measurement Date**	**June 30, 2018**
- **Valuation Date**	**July 1, 2017**
- **Expected Return on Investments**	**7.25%**
- **Inflation**	**2.25%**
- **Future Salary Increases**	**3.00% to 12.50% (varies by service)**
- **Mortality Assumption**	**2016 Mortality Table set back projected at SCALE AA from year 2016 Males multiplied by 100%. Females multiplied by 111%.**

Significant actuarial assumptions and other inputs used to measure the total pension liability as of December 31, 2017:

- Measurement Date	June 30, 2017
- Valuation Date	July 1, 2016
- Expected Return on Investments	7.25%
- Inflation	2.25%
- Future Salary Increases	3.00% to 12.50% (varies by service)
- Mortality Assumption	RP 2000 Mortality Table set back projected at SCALE AA from year 2000. RP-2000 Males multiplied by 100%. RP-2000 Females multiplied by 111%.

Discount Rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return **-** For the measurement date as of June 30, 2018, the long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return (as prescribed by SC Code Section 9-16-335) used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	**Target Asset Allocation**	**Expected Arithmetic Real Rate of Return**	**Long Term Expected Portfolio Real Rate of Return**
Global Equity			
Global Public Equity	33.00%	6.99%	2.31%
Private Equity	9.00%	8.73%	0.79%
Equity Options Strategies	5.00%	5.52%	0.28%
Real Assets			
Real Estate (Private)	6.00%	3.54%	0.21%
Real Estate (REITs)	2.00%	5.46%	0.11%
Infrastructure	2.00%	5.09%	0.10%
Opportunistic			
GTAA/Risk Parity	8.00%	3.75%	0.30%
Hedge Funds (non-PA)	2.00%	3.45%	0.07%
Other Opportunistic Strategies	3.00%	3.75%	0.11%
Diversified Credit			
Mixed Credit	6.00%	3.05%	0.18%
Emerging Markets Debt	5.00%	3.94%	0.20%
Private Debt	7.00%	3.89%	0.27%
Conservative Fixed Income			
Core Fixed Income	10.00%	0.94%	0.09%
Cash and Short Duration (Net)	2.00%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

For the measurement date as of June 30, 2017, the long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return (as prescribed by SC Code Section 9-16-335) used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity			
Global Public Equity	31.00%	6.70%	2.08%
Private Equity	9.00%	9.60%	0.86%
Equity Options Strategies	5.00%	5.90%	0.30%
Real Assets			
Real Estate (Private)	5.00%	4.30%	0.22%
Real Estate (REITs)	2.00%	6.30%	0.13%
Infrastructure	1.00%	6.30%	0.06%
Opportunistic			
GTAA/Risk Parity	10.00%	4.20%	0.42%
Hedge Funds (non-PA)	4.00%	3.80%	0.15%
Other Opportunistic Strategies	3.00%	4.20%	0.12%
Diversified Credit			
Mixed Credit	6.00%	3.90%	0.24%
Emerging Markets Debt	5.00%	5.00%	0.25%
Private Debt	7.00%	4.40%	0.31%
Conservative Fixed Income			
Core Fixed Income	10.00%	1.60%	0.16%
Cash and Short Duration (Net)	2.00%	0.90%	0.02%
Total Expected Real Return	100.00%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

Sensitivity Analysis - For the measurement date as of June 30, 2018, the following table presents the Authority's collective net pension liability calculated using the Authority's discount rate of 7.25% as well as SERP discount rates of 3.50% for both the pre-2007 and non-qualified benefits for what the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Decrease	Current Discount Rate (Thousands)	1.00% Increase
Authority's proportionate share of the net pension liability	**$ 428,674**	**$ 338,128**	**$ 273,097**

For the measurement date as of June 30, 2017, the following table presents the Authority's collective net pension liability calculated using the Authority's discount rate of 7.25% as well as SERP discounts rates of 3.00% for both the pre-2007 and 3.50% for the non-qualified benefits for what the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Decrease	Current Discount Rate (Thousands)	1.00% Increase
Authority's proportionate share of the net pension liability	$ 433,243	$ 338,783	$ 281,029

Other Retirement Benefits **-** The Authority also provides retirement benefits to certain employees designated by management and the Board under SERP. Benefits are established and may be amended by management and the Authority's Board and include retirement benefit payments for a specified number of years and death benefits. The cost of these benefits is actuarially determined annually. Beginning in 2006, these plans were segregated into internal and external funds. The qualified benefits are funded externally with the annual cost set aside in a trust administered by a third party. The pre-2007 retiree benefits and the non-qualified benefits are funded internally with the annual cost set aside and managed by the Authority. Effective February 23, 2018, entry into the plan is closed and no employee shall become a participant on or after this date. At December 31, 2018, the Authority reported an asset of $2.6 million and a liability of $16.3 million associated with the three plans as well as deferred outflows and inflows as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Thousands)	
Differences between expected and actual experience	**$ 1,910**	**$ 1,650**
Changes of assumptions	**315**	**274**
Net difference between projected and actual earnings on pension plan investments	**882**	**458**
Authority's contributions subsequent to the measurement date	**96**	**0**
Total	**$ 3,203**	**$ 2,382**

The Authority reported $96,000 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2018.

Year Ending November 30:	
	(Thousands)
2019	$ 556
2020	(10)
2021	199
2022	(21)
2023	0
Total	$ 724

At December 31, 2017, the Authority reported an asset of $2.5 million and a liability of $15.6 million associated with the three plans as well as deferred outflows and inflows as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Thousands)	
Differences between expected and actual experience	$ 1,743	$ 1,370
Changes of assumptions	424	19
Net difference between projected and actual earnings on pension plan investments	422	611
Authority's contributions subsequent to the measurement date	95	0
Total	$ 2,684	$ 2,000

The Authority reported $95,000 as deferred outflows of resources related to contributions subsequent to the measurement date which was recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2017.

Year Ending November 30:	(Thousands)
2018	$ 215
2019	215
2020	(61)
2021	220
2022	0
Total	$ 589

Summer Nuclear Unit 1 Retirement - The Authority and SCE&G are parties to a joint ownership agreement for Summer Nuclear Unit 1 at the Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel. Any earnings generated from the established pension plan are shared proportionately and used to reduce the allocated funding.

As of December 31, 2018 and 2017, the Authority had a noncurrent pension liability of $5.7 million and $5.0 million, respectively.

In accordance with FASB ASC 715, the Authority has a regulatory liability balance of approximately $19.3 million and $16.4 million for the unfunded portion of pension benefits at December 31, 2018 and 2017, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2018.

Note 12 – Other Postemployment Benefits (OPEB)

Vacation / Sick Leave - Full-time employees earn 10 days of vacation leave for service under five years and 15 days of vacation leave for service under 11 years. Employees earn an additional day of vacation leave for each year of service over 10 until they reach the maximum of 25 days per year. Employees earn two hours per pay period, plus 20 additional hours at year-end for sick leave.

Employees may accumulate up to 45 days of vacation leave and 180 days of sick leave. Upon termination, the Authority pays employees for unused vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their sick leave at the pay rate then in effect.

Plan Description - The Authority participates in an agent multiple-employer defined benefit healthcare plan whereby PEBA Insurance Benefits provides certain health, dental and life insurance benefits for eligible retired employees of the Authority. The retirement insurance benefits available are defined by PEBA Insurance Benefits and substantially all of the Authority's employees may become eligible for these benefits if they meet retirement eligibility with a minimum of 10 years of earned service or upon reaching age 60 after leaving employment with at least 20 years of service. Currently, approximately 1069 retirees meet these requirements.

For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to qualify for funded retiree insurance is 15 years for a one-half contribution, and 25 years for a full contribution. PEBA Insurance Benefits may be contacted at: PO Box 11661, Columbia, S.C. 29211-1661 and PEBA Retirement Benefits may be contacted at PO Box 11660, Columbia, S.C. 29211-1960.

As of the measurement date, June 30, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	960
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	1,698
Total Plan Members	**2,658**

Funding Policy - Prior to 2010, the Authority used the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. During 2010, the Authority elected to adopt an advanced or pre-funding policy and established an irrevocable trust with Synovus Trust Company. In 2018 with the implementation of GASB 75, the Authority established a formal funding plan and elected to fund the OPEB obligation over a 30-year closed period. This method of funding will result in a lower OPEB liability, more favorable discount rates, and establishes a method for writing off the regulatory asset as funding occurs.

Net OPEB Liability - The components of the net OPEB liability at June 30, 2018 were as follows:

	(Thousands)
Total OPEB Liability	$ 232,702
Plan fiduciary net position	59,928
Authority's net OPEB liability	$ 172,774
Plan fiduciary net position as a percentage of the total OPEB liability	25.75%

Actuarial Methods and Assumptions - The total OPEB liability was determined by an actuarial valuation as of December 31, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Methods and Assumptions	
Actuarial Cost Method	Individual Entry-Age
Amortization Method	Level dollar
Amortization Period	Closed period; 29 years remaining as of the beginning of FYE18
Asset Valuation	Market Value
Investment Rate of Return	4.50%, net of investment expenses, including inflation
Inflation	2.25%
Salary Increases	3.00% to 7.00%, including inflation
Demographic Assumptions	Based on the experience study covering the five year period ending June 30, 2015 as conducted for the South Carolina Retirement Systems (SCRS)
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members, 111% for female SCRS members.
Participation Rates	Rates of 90% for fully funded retirees, 60% for partially funded retirees, and 20% for retirees not eligible for any explicit subsidy
Healthcare Cost Trend Rates	Initial rate of 6.75% declining to an ultimate rate of 4.15% after 14 years; Ultimate trend rate includes a 0.15% adjustment for the excise tax

Investments - The investments of the Authority must follow the general guidelines set by the Enabling Legislation. The Authority is required to invest without limitation its revenues in obligations the interest and principal of which are guaranteed or are fully secured by contracts with the United States of America; in obligations of any agency, instrumentality or corporation which has been or may hereafter be created by or pursuant to an act of Congress; direct and general Obligations of the State of South Carolina; and certificates of deposit issued by any bank, trust company or national banking association which do business in South Carolina.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.8%	0.1%
Fixed Income	93.2%	2.6%
Total Blended Average	**100.0%**	**2.5%**

Asset Allocation at June 30, 2018

The rate of return for 2018 on the Trust was (0.34%).

Discount rate. A Single Discount Rate of 4.50% was used to measure the total OPEB liability. The asset portfolio of the OPEB trust can support a 4.50% long term rate of return. Santee Cooper's funding policy utilizes a closed amortization period. As a result, the plan's fiduciary net position is projected to be sufficient to pay benefits.

Schedule of Changes in Net OPEB Liability
Fiscal Year Ended December 31, 2018

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
		(Thousands)	
Beginning balance	$ 224,768	$ 52,950	$ 171,818
Service cost	5,405		5,405
Interest on the total OPEB liability	10,073		10,073
Changes of benefit terms	0		0
Difference between expected and actual experience	(291)		(291)
Changes of assumptions	0		0
Employer contributions		14,455	(14,455)
Net investment income		(120)	120
Benefit payments	(7,253)	(7,253)	0
Administrative expense		(104)	104
Other		0	0
Net changes	7,934	6,978	956
Ending balance	$ 232,702	$ 59,928	$ 172,774

Ending balances are as of the measurement date, June 30, 2018.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the Authority calculated using the Authority's discount rate of 4.50% and for what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current discount rate.

	1.00% Decrease	Current Discount Rate	1.00% Increase
		(Thousands)	
Net OPEB liability	$ 208,138	$ 172,774	$ 143,979

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of the Authority calculated using the Authority's healthcare cost trend rate of 7.00% and for what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current discount rate.

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
		(Thousands)	
Net OPEB liability	$ 138,515	$ 172,774	$ 216,162

OPEB Expense and Deferred Outflows (Inflows) of Resources Related to OPEB - For the year ended December 31, 2018; the Authority recognized OPEB expense of $13.5 million. At December 31, 2018, the Authority reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	(Thousands)			
Differences between expected and actual experience	**$**	**0**	**$**	**249**
Changes of assumptions		**0**		**0**
Net difference between projected and actual earnings on OPEB plan investments		**2,130**		**0**
Authority's contributions subsequent to the measurement date		**21,046**		**0**
Total	**$**	**23,176**	**$**	**249**

The Authority reported $21 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in OPEB expense in future years.

The following schedule reflects the amortization of the Authority's balance of remaining deferred outflows (inflows) of resources at December 31, 2018.

Year Ending December 31:		
	(Thousands)	
2019	$	491
2020		491
2021		491
2022		491
2023		(42)
Thereafter,		(41)
Total	$	1,881

Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Year Ended December 31, 2018

Measurement period ending June 30		**2018**
		(Thousands)
Service Cost	$	5,405
Interest on the total OPEB liability		10,073
Difference between expected and actual experience		(291)
Benefit payments		(7,253)
Net change in total OPEB liability		7,934
Total OPEB liability - beginning		224,768
Total OPEB liability - ending (a)	$	232,702
Plan fiduciary net position		
Employer contributions	$	14,455
OPEB plan net investment income		(120)
Benefit payments		(7,253)
OPEB plan administrative expense		(104)
Net change in plan fiduciary net position		6,978
Plan fiduciary net position - beginning		52,950
Plan fiduciary net position - ending (b)	$	59,928
Net OPEB liability - ending (a) - (b)	$	172,774
Plan fiduciary net position as a percentage of total OPEB liability		25.75 %
Covered-employee payroll	$	156,059,022
Net OPEB liability as a percentage of covered-employee payroll		110.71 %

Schedule of Contributions
(Thousands)

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	$ 15,364	$ 14,455	$909	$ 156,059	9.26%

Summer Nuclear OPEB - The Authority is responsible for funding its share of OPEB costs for nuclear station employees. The Authority's liability balances as of December 31, 2018 and 2017 were both approximately $11.7 million and $11.4 million, respectively.

In accordance with FASB ASC 715, the Authority recorded a regulatory liability of approximately $1.0 million and $3.3 million for the unfunded portion of OPEB costs at December 31, 2018 and 2017, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2018.

Note 13 – Credit Risk and Major Customers

In 2018, the Authority had one customer that accounted for more than 10 percent of the Authority's sales:

Customer:		**2018**		2017
		(Millions)		
Central	**$**	**1,034**	$	1,026

The Authority maintains an allowance for uncollectible accounts based upon the expected collectability of all accounts receivable. The allowance at each year ended December 31, 2018 and 2017 was $2.1 million and $2.2 million, respectively.

Note 14 – Storm Damage

2018
In September 2018, the Authority's system sustained damages from Hurricane Florence. As a result, portions of South Carolina were declared federal disasters areas for damages, and the entire state was declared eligible for protective measures expense relief. During 2018, the Authority incurred $11.7 million in capital and maintenance costs. A receivable of $8.8 million was recorded as of December 31, 2018, in anticipation for federal reimbursement in 2019. No additional costs for the event are anticipated in 2019.

The Authority does not expect to increase rates due to the impacts of these events and foresees no measurable long-term impacts on its operation or the demand for electricity by its customers.

2017
In addition to the $11.4 million costs for Hurricane Matthew accrued in 2016, the Authority incurred $5.5 million in capital and maintenance costs during 2017.

In September 2017, the Authority's system sustained damages from Hurricane Irma. As a result, portions of South Carolina were declared federal disaster areas for damages, and the entire state was declared eligible for protective measure expense relief. During 2017, the Authority incurred $1.4 million in capital and maintenance costs.

Note 15 – Change in Accounting Principle

The Authority implemented GASB statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the year ended December 31, 2018. The implementation of the statement required the Authority to record a prior year beginning balance for the net OPEB liability and contributions made by the Authority during the measurement period (year ended December 31, 2017). On October 13, 2017 the Board approved the use of regulatory accounting to offset the initial net OPEB liability. As a result, the Authority recorded a regulatory asset of $165.2 million. During 2018, $12.0 million was amortized to coincide with a deposit to the trust of the same amount. The remaining balance outstanding at December 31, 2018 was $153.2 million.

Note 16 – Subsequent Events

SCANA and Dominion Merger. On January 2, 2019 Dominion Energy, Inc. and SCANA Corporation announced that they completed their proposed merger. SCANA Corporation will be a first-tier, wholly owned subsidiary of Dominion Energy. Its operating companies – including South Carolina Electric & Gas Company (SCE&G), Public Service Company of North Carolina, Incorporated (PSNC Energy), and SCANA Energy Marketing, Inc. (SEMI) – and its services company will be managed by a new operating segment, the Southeast Energy Group.

Summer Nuclear 2 and 3 Combined Construction and Operating Licenses. On January 28, 2019, the Santee Cooper Board approved a resolution authorizing the Interim President and CEO to consent to SCE&G's request to terminate the Summer Nuclear Units 2 & 3 COLs. That consent was conveyed to the Nuclear Regulatory Commission in a letter dated January 29, 2019.

Commitments and Contingencies. In February 2019, the Authority entered into a contract with Meridian WGS, LLC ("Meridian") to convert low quality gypsum slurry stored at WGS into drywall quality gypsum using a proprietary process. The Authority has also entered into a lease agreement with Meridian that will allow it to construct its facility at WGS. Pending Meridian obtaining financing for construction, it will permit, construct and operate the conversion facility at WGS to produce drywall quality gypsum that can be used to meet contracted obligations. The conversion process allows waste material to be converted and beneficially used as drywall quality gypsum while providing an environmentally responsible and low cost option to close the slurry pond.

Legislative Matters. On February 1, 2019, ICF issued its report to the Evaluation Committee. The Evaluation Committee is now expected to continue its review of Santee Cooper which includes, among other things, the consideration of various alternatives for Santee Cooper such as managing or restructuring Santee Cooper or selling portions of its assets.

On January 29th, 2019, Chairman Charlie Condon was re-nominated by the Governor to serve as Board Chair. He will serve as Interim Chairman until either the appointment is approved or until the end of the regular 2019 legislative session, whichever occurs first.

On February 21, 2019, the South Carolina Senate announced the creation of the Select Committee on Santee Cooper. The Senate has not yet set a date for the first meeting of the Select Committee.

The General Assembly is scheduled to meet from January 8, 2019 to May 9, 2019. Legislation may be introduced that impacts Santee Cooper's operations. Santee Cooper will be educating and informing the General Assembly of the impact of any relevant legislation that may impact its customers and operations.

Legal Matters. ***Timothy Glibowski et al. v. SCANA, SCE&G, Santee Cooper, Kevin Marsh, Jimmy Addison, Stephen Byrne, Martin Phalen, Mark Cannon, Russell Harris, Ronald Lindsay, James Micali, and Lonnie Carter*** (case no. 9:18-cv-273-TLW in the U.S. Dist. Court, Dist. of S.C., Beaufort Division): Plaintiffs filed this putative class action in connection with the decision to abandon construction of Summer Nuclear Units 2 and 3. The Second Amended Complaint was filed on January 28, 2019. It includes two proposed classes: (1) SCANA customers and (2) Santee Cooper customers who were charged and paid advance charges for costs associated with the construction of the units from 2007 to the present.

On February 22, 2019, the South Carolina Supreme Court issued its order denying Santee Cooper's petition for appellate case no. 2018-001172.

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTAL FINANCIAL DATA:

Santee Cooper's Proportionate Share of the Net Pension Liability
Required Supplementary Information
Last Five Fiscal Years

Years Ended in June 30,	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (%)	1.43%	1.43%	1.45%	1.44%	1.45%
Authority's proportion of the net pension liability (millions)	$ 321.8	$ 323.1	$ 309.7	$ 273.6	$ 249.7
Authority's covered employee payroll (millions)	$142.30	$142.70	$140.10	$136.40	$131.50
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	226%	226%	221%	201%	190%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	56.9%	59.9%	59.9%

Santee Cooper's Contributions
Required Supplementary Information
Last Five Fiscal Years

Years Ended December 31,	**2018**	**2017**	**2016**	**2015**	**2014**
			(Millions)		
Required Contributions:					
From the Authority	$ 19.80	$ 17.70	$ 15.60	$ 14.80	$ 13.90
From employees	12.8	12.6	11.8	11	10.2
Contributions in relation to the required contributions:					
From the Authority	$ 19.80	$ 17.70	$ 15.60	$ 14.80	$ 13.90
From employees	12.8	12.6	11.8	11	10.2
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	142.3	142.7	140.1	136.4	131.5
Authority's contributions as a percentage of covered payroll	13.90%	12.40%	11.10%	10.90%	10.50%

Schedule of Total Pension
Liability as a Percentage of Covered Payroll
Required Supplementary Information
Last Five Fiscal Years

Years Ended June 30,	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (millions)	$ 321.8	$ 323.1	$ 309.7	$ 273.6	$ 249.7
Authority's covered employee payroll (millions)	$ 142.3	$ 142.7	$ 140.1	$ 136.4	$ 131.5
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	226%	226%	221%	201%	190%

Santee Cooper's Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
Fiscal Year Ended December 31, 2018

Measurement period ending June 30		**2018**
Total OPEB Liability		
Service Cost	$	5,404,788
Interest on the total OPEB liability		10,072,981
Difference between expected and actual experience		(291,156)
Benefit payments		(7,253,210)
Net change in total OPEB liability		7,933,403
Total OPEB liability - beginning		224,768,231
Total OPEB liability - ending (a)	$	232,701,634
Plan fiduciary net position		
Employer contributions	$	14,454,566
OPEB plan net investment income		(119,535)
Benefit payments		(7,253,210)
OPEB plan administrative expense		(103,803)
Net change in plan fiduciary net position		6,978,018
Plan fiduciary net position - beginning		52,950,142
Plan fiduciary net position - ending (b)	$	59,928,160
Net OPEB liability - ending (a) - (b)	$	172,773,474
Plan fiduciary net position as a percentage of total OPEB liability		25.75 %
Covered-employee payroll	$	156,059,022
Net OPEB liability as a percentage of covered-employee payroll		110.71 %

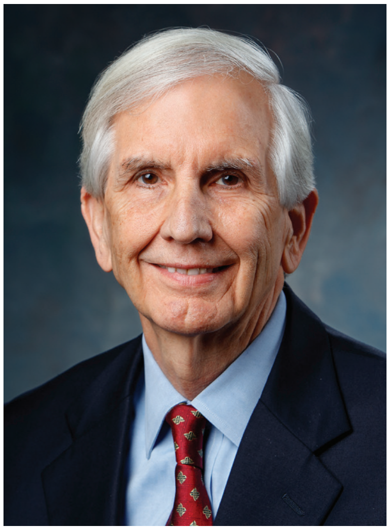
Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following is the discount rate used in this period:

Fiscal Year	**Rate**
2018	4.50%

This Page Intentionally Left Blank

Board of Directors



Charlie M. Condon
Interim Chairman
At-Large
Sullivan's Island, S.C..

Chairman Condon is an attorney and the owner of Charlie Condon Law Firm LLC in Mount Pleasant, S.C.

Dan J. Ray
1st Vice Chairman
Georgetown County
Georgetown, S.C.

Director Ray is president of DR Capital Group, a Pawleys Island-based financial advisory and investment company.

David F. Singleton
2nd Vice Chairman
Horry County
Myrtle Beach, S.C.

Director Singleton is president of Singleton Properties, a real estate investment and sales firm.

Kristofer D. Clark
3rd Congressional District
Easley, S.C.

Director Clark is a broker with Easlan Capital and owner of Pristine Properties LLC.

William A. Finn
1st Congressional District
Mount Pleasant, S.C.

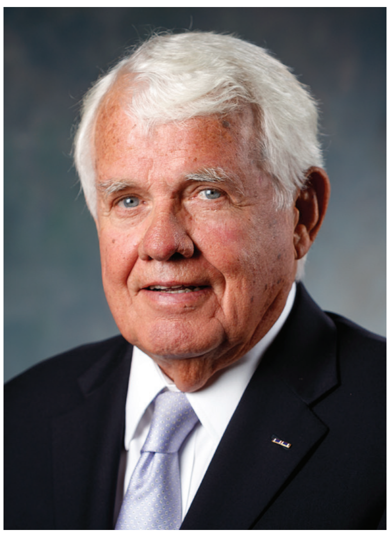
Director Finn is chairman of AstenJohnson Inc., a specialty textile company for the printing and papermaking industries based in Charleston.

Merrell W. Floyd
7th Congressional District
Conway, S.C.

Director Floyd is a retired staff coordinator for Horry Electric Cooperative.

J. Calhoun Land IV
6th Congressional District
Manning, S.C.

Director Land is a partner in Land, Parker & Welch, a general practice firm in Manning.

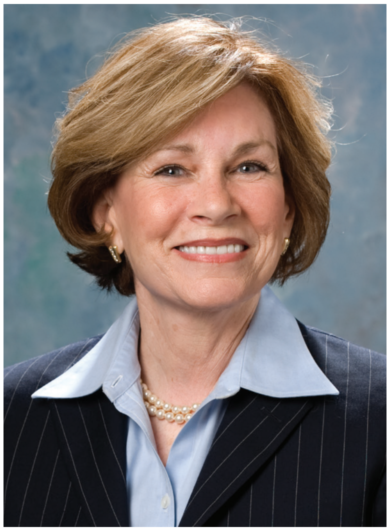


Charles H. "Herb" Leaird
5th Congressional District
Sumter, S.C.

Director Leaird is the former CEO of Black River Electric Cooperative and also served as CEO of Lynches River Electric Cooperative.

Stephen H. Mudge
At-Large
Clemson, S.C.

Director Mudge is the cofounder, president and CEO of Serrus Capital Partners Inc., a Greenville, S.C.-based real estate investment firm.



Peggy H. Pinnell
Berkeley County
Moncks Corner, S.C.

Director Pinnell is the owner of the Peggy H. Pinnell Insurance Agency in Moncks Corner, a State Farm agency.

Barry D. Wynn
4th Congressional District
Spartanburg, S.C.

Director Wynn is president of Colonial Trust Company, a private trust company specializing in investment management and estate services.

Notes:

The State Senate approved on June 28, 2018, the nomination of Charles H. "Herb" Leaird to a seven-year term on the Santee Cooper Board of Directors, a term that began in 2016 and will expire May 19, 2023.

On July 23, 2018, Chairman Charlie Condon was appointed as Interim Chairman. The term of the Board Chair expires on May 19, 2025. However, Chairman Condon was appointed as an Interim Appointment. Subsequently, on Jan. 29, 2019, he was renominated by the Governor to serve as Board Chair. He will serve as Interim Chairman until either the appointment is approved or until the end of the regular 2019 legislative session, whichever occurs first.

On Dec. 10, 2018, Director Dan J. Ray was elected to the role of 1st Vice Chairman and Director David F. Singleton was elected to the role of 2nd Vice Chairman.

Director Jack F. Wolfe Jr. resigned from the Board of Directors on June 27, 2018.

Advisory Board

Henry D. McMaster	Governor
Alan Wilson	Attorney General
Mark Hammond	Secretary of State
Richard Eckstrom	Comptroller General
Curtis M. Loftis Jr.	State Treasurer

Executive Leadership

James E. Brogdon Jr.	Interim President and Chief Executive Officer
Marc R. Tye	Executive Vice President and Chief Operating Officer
Jeffrey D. Armfield[1]	Senior Vice President and Chief Financial Officer
J. Michael Baxley Sr.	Senior Vice President and General Counsel
Michael R. Crosby	Senior Vice President, Nuclear Energy
Dominick G. Maddalone	Senior Vice President, Technology Services, and Chief Information Officer
Arnold R. Singleton	Senior Vice President, Power Delivery
Pamela J. Williams	Senior Vice President, Corporate Services

Management

Charles S. "Sam" Bennett	Vice President, Administration
Michael C. Brown	Vice President, Wholesale and Industrial Services
Victoria N. Budreau	Vice President, Fuels Strategy and Supply
Daniel D. Camp	Vice President, Real Estate
Thomas B. Curtis	Vice President, Generating Stations
Rahul Dembla	Vice President, Planning and Pricing
B. Shawan Gillians[2]	Treasurer
Jane H. Hood	Vice President, Environmental and Water Systems Management
Thomas L. Kierspe	Vice President, Transmission Operations
Richard S. Kizer	Vice President, Public Affairs
Kenneth W. Lott III[3]	Vice President, Human Resource Management
J. Michael Poston	Vice President, Retail Operations
Suzanne H. Ritter	Vice President and Controller
Elizabeth H. Warner	Vice President, Legal Services, and Corporate Secretary

Auditor

Monique L. Washington	General Auditor

1 – Jeffrey D. Armfield announced his retirement effective April 5, 2019.
2 – B. Shawan Gillians was named Treasurer on June 25, 2018.
3 – Kenneth W. Lott III was named Vice President, Human Resource Management on March 19, 2018.

Office Locations*

MONCKS CORNER OFFICE
Santee Cooper Headquarters
1 Riverwood Drive
Moncks Corner, SC 29461
843-761-8000
843-761-4122 (fax)

MYRTLE BEACH OFFICE
1703 Oak St.
Myrtle Beach, SC 29577
843-448-2411
843-626-1923 (fax)

*Santee Cooper announced on Jan. 22, 2018, that the utility would close three offices. The Garden City Beach Retail Office closed on April 27, 2018, the North Myrtle Beach Retail Office closed on June 1, 2018, and the Conway Retail Office closed on June 29, 2018.