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JUN 25 2018

S.C. SUPREME COURT

THE STATE OF SOUTH CAROLINA
In The Supreme Court

IN THE ORIGINAL JURISDICTION OF THE SUPREME COURT

South Carolina Public Service Authority,..... Petitioner,

v.

Central Electric Power Cooperative, Inc.; Palmetto Electric Cooperative, Inc.; Jessica S. Cook; Corrin F. Bowers & Son; Cyril B. Rush, Jr.; Bobby Bostick; Kyle Cook; Donna Jenkins; Chris Kolbe; and Ruth Ann Keffer,.....

Respondents.

NOTICE OF PETITION FOR ORIGINAL JURISDICTION

Please take notice that pursuant to Rule 245, South Carolina Appellate Court Rules, Respondents have 20 days from the date of service to serve and file a return to the attached Petition for Original Jurisdiction, along with six copies, with the Clerk of the South Carolina Supreme Court and to serve the return upon the below counsel for Petitioner at 1320 Main Street, Columbia, South Carolina, 29201. Failure of a party to file a timely return may be deemed consent by that party to the matter being heard in the original jurisdiction of the Supreme Court.

(signature page attached)

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Respondents.

PETITION FOR ORIGINAL JURISDICTION

The South Carolina Public Service Authority ("Santee Cooper") respectfully petitions the South Carolina Supreme Court to exercise its original jurisdiction to declare Santee Cooper's statutory mandate to fix, maintain, and collect charges at rates sufficient to provide for payment of all of 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 the V.C. Summer Nuclear Units 2 and 3 Project ("the Project"). Santee Cooper further requests an order enjoining efforts designed to thwart Santee Cooper's execution of its statutory duties, as set forth in the proposed Complaint attached as Exhibit A.

This Court's exercise of original jurisdiction is warranted because the matter affects the public interest and cannot be adjudicated in the lower courts without material prejudice to the parties and the State of South Carolina. This petition is proper pursuant to Rule 245 of the South

Carolina Appellate Court Rules; article V, section 5 of the South Carolina Constitution; S.C. Code Ann. § 14-3-310; and the Declaratory Judgment Act, S.C. Code Ann. §§ 15-53-10 through -140.

INTRODUCTION

Santee Cooper is owned by and operated for the benefit of the people of South Carolina. Santee Cooper does not have shareholders, unlike investor-owned utilities such as South Carolina Electric & Gas Company ("SCE&G"). Unlike other state agencies, Santee Cooper "receives no State funds and operates entirely on the revenues from its operation."[1] In Santee Cooper's enabling legislation, the General Assembly required that "any and all projects undertaken by the provisions of this chapter shall be financed as self-liquidating projects and . . . the credit and taxing powers of the State, or its political subdivisions, shall never be pledged to pay said debts and obligations."[2] Thus, by virtue of the way in which it was created, Santee Cooper's only source of revenues is its customer base.

To implement this framework of fiscal independence, the General Assembly empowered Santee Cooper to finance projects by issuing bonds and other forms of indebtedness, and by making covenants and other agreements with debtholders to secure such obligations.[3]

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[1] *S.C. Pub. Serv. Auth. v. Citizens & S. Nat'l Bank of S.C.*, 300 S.C. 142, 160, 386 S.E.2d 775, 786 (1989) (emphasis added). In fact, Santee Cooper contributes to the State's general fund, paying to the State net earnings not necessary for prudent operation and fulfillment of Santee Cooper's other obligations. S.C. Code Ann. § 58-31-110.

[2] S.C. Code Ann. § 58-31-30(A)(21). Santee Cooper's enabling legislation, as amended from time to time ("the Enabling Act") is codified in Title 58, Chapter 31 of the South Carolina Code of Laws, S.C. Code Ann. § 58-31-10 et seq.

[3] S.C. Code Ann. § 58-31-30(A)(14) (authorizing Santee Cooper to borrow money and issue bonds and other indebtedness); S.C. Code Ann. § 58-31-30(19) (authorizing Santee Cooper to pledge revenues as security for bonds or other indebtedness); S.C. Code Ann. § 58-31-30(A) (authorizing Santee Cooper to issue bonds and secure them by pledging revenues, and authorizing the board of

The General Assembly concurrently delegated regulatory power over rates charged by Santee Cooper to Santee Cooper's Board of Directors.[4] Santee Cooper "was granted permission to fix its rates by a statute."[5] The same statute requires Santee Cooper to set, maintain, and collect charges at rates that are at least sufficient to achieve the following:

- to provide for
  - payment of all Santee Cooper's expenses,
  - the conservation, maintenance, and operation of Santee Cooper's facilities and properties,
  - payment of principal and interest on its notes, bonds, and other evidences of indebtedness or obligation,
- and to fulfill the terms and provisions of any agreements made with the purchasers or holders of any such notes, bonds, or other evidences of indebtedness or obligation.[6]

Notably, the costs that Santee Cooper must recover through rates include the payment of principal and interest on debt. Santee Cooper was created as delineated in the Enabling Act so that the State of South Carolina would not finance the projects it undertook. Bondholders and other grantors of credit were necessary to establish Santee Cooper's financial independence from the State and raise capital to finance projects undertaken by Santee Cooper. Consequently, the General Assembly intended for Santee Cooper to repay its debtholders, with interest, and to fulfill its obligations to them, as evidenced in the provisions requiring Santee Cooper to collect from its customers the revenues necessary to meet these obligations. In addition, to protect debtholders

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directors to provide terms within the bond resolutions and bonds regarding the terms and provisions of the bonds).

[4] *S.C. Elec. & Gas Co. v. S.C. Pub. Serv. Auth.*, 215 S.C. 193, 214, 54 S.E.2d 777, 786 (1949) [hereinafter *SCE&G*] (holding that "[Santee Cooper] is, in effect, a State agency just as the Public Service Commission is").

[5] *Clarke v. S.C. Pub. Serv. Auth.*, 177 S.C. 427, 445, 181 S.E. 481, 488 (1935).

[6] S.C. Code Ann. § 58-31-30(A)(13) (emphases added).

and fulfill the purposes of Santee Cooper, the State of South Carolina enacted its own separate pledge and covenant with the holders of bonds and other forms of indebtedness, to do nothing to "alter, limit or restrict" Santee Cooper's power to "fix, establish, maintain and collect" such rates and charges.[7]

On July 31, 2017, Santee Cooper's Board of Directors voted to suspend construction of the Project. Despite the express statutory mandate directing Santee Cooper to recover its costs not from the State of South Carolina but from its ratepayers—and that Santee Cooper charge such rates as are necessary to pay its costs and expenses and satisfy its obligations to debtholders—litigants now have challenged Santee Cooper's ability to set, maintain, and collect rates to recover the costs of the Project. In a putative class action lawsuit pending in the South Carolina Court of Common Pleas, styled *Jessica S. Cook et al. v. South Carolina Public Service Authority et. al.*, Case No. 2017-CP-25-348 (Hampton Cty. filed Aug. 22, 2017), a group of residential ratepayers,[8] Central Electric Cooperative, Inc. ("Central")—Santee Cooper's largest customer—and Palmetto Electric Cooperative, Inc. ("Palmetto"), seek a declaration from the circuit court that Santee Cooper cannot maintain and collect rates and charges to recover costs associated with the Project.

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[7] S.C. Code Ann. § 58-31-360; *see also* § 58-31-30(A)(21) ("The State of South Carolina does hereby pledge to and agree with any person . . . acquiring the notes, bonds, evidences of indebtedness, or other obligations to be issued by the Public Service Authority for the construction of any project, that the State will not alter or limit the rights hereby vested in the Public Service Authority until the said notes, bonds, evidences of indebtedness, or other obligations, together with the interest thereon, are fully met and discharged; provided, that nothing herein contained shall preclude such limitation or alteration if and when and after adequate provisions shall be made by law for the protection of those subscribing to or acquiring such notes, bonds, evidences of indebtedness, or other obligations of the Public Service Authority.").

[8] The *Cook* plaintiffs include direct customers, those buying electricity directly from Santee Cooper, and "indirect" customers, those buying electricity from an electric cooperative, which in turn buy electricity from Central, which in turn buys electricity from Santee Cooper.

If Santee Cooper were prevented from recovering its costs from its ratepayers—which are, by law, its only source of revenue—it eventually would be unable to maintain its ongoing operations and fulfill its obligations to debtholders. Effectively, Central, Palmetto, and the plaintiffs are attempting to use litigation to dismantle an entity created by the General Assembly for the benefit of the people of South Carolina. As noted by John Tiencken, counsel to Central, in testimony before a committee of the South Carolina House of Representatives, Santee Cooper has no shareholders but must look to its ratepayers to recover its costs. According to Mr. Tiencken, Central or others may avoid their obligations and shift "a piece of that burden" to bondholders by using litigation to force Santee Cooper into bankruptcy. Yet as Mr. Tiencken acknowledged in his testimony, such a result would have "implications for the state's credit reputation and for the many people who invested in the formerly AA rated Santee Cooper."[9]

Santee Cooper files this petition to protect a valuable asset of the State of South Carolina. From its inception, Santee Cooper was intended to be an economic development resource for South Carolina. Its Board of Directors is charged to weigh the interests of economic development and job attraction in its decision-making.[10] As a consequence, Santee Cooper's economic impacts extend from the invigorating effects of the development of the original Santee Cooper project at its inception to the June 20, 2018 opening of the new Volvo automobile manufacturing facility in Berkeley County.

The current litigation challenges the fulfillment of legislative intent and the policy of the State of South Carolina as expressed by the General Assembly in the Enabling Act. The litigation

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[9] Hearing of House Utility Ratepayer Protection Committee at 20:09 (Feb. 8, 2018) [hereinafter "Tiencken Testimony"], http://scstatehouse.gov/video/archives.php. *See* discussion *infra* pp. 20–21, 30–31.

[10] *See* S.C. Code Ann. § 58-31-55(A)(3)(b).

will necessarily take time, and the resulting delay and uncertainty concerning Santee Cooper's execution of its statutorily delegated ratemaking power would risk Santee Cooper's credit rating—and potentially the State's. The adverse effects of such delay and uncertainty not only would lead to impairment of Santee Cooper's credit rating, but also would:

- jeopardize Santee Cooper's ability to fund its operations and fulfill its obligations to debtholders,
- frustrate the legislative purpose of economic development reflected in Santee Cooper's Enabling Act,
- engender legal proceedings as debtholders sought relief,
- have a serious detrimental effect on the State's credit reputation,
- implicate the covenant that the State of South Carolina made with debtholders independently of Santee Cooper's own obligations, and
- expose the State of South Carolina to liability for breach of its covenant with Santee Cooper debtholders.

Santee Cooper's Directors are charged with exercising their duties in the best interests of Santee Cooper, which in 2005 the General Assembly defined expressly to include consideration of Santee Cooper's financial integrity and ongoing operation, economic development and job attraction and retention, and compliance with good business practices and the law.[11] Thus, Santee Cooper's duty is to set, maintain, and collect rates that allow it to continue its ongoing delivery of electricity to its customers, to preserve its financial integrity, and to satisfy its obligations to debtholders. Efforts to prevent it from doing so threaten fulfillment of the purposes intended by the General Assembly. Moreover, given the State's separate covenant with debtholders, efforts to impair Santee Cooper's legislatively delegated ratemaking authority put the State at risk for

[11] S.C. Code Ann. § 58-31-55(A)(3).

violation of its covenant with debtholders. Santee Cooper thus requests that the Court accept this case in its original jurisdiction to rule on this issue in the first instance and prevent material, immediate, and irreparable harm to Santee Cooper resulting from the delay and uncertainty attending the ordinary course of litigation—harm that would affect all of Santee Cooper's customers, the State, and the citizens of South Carolina.

Santee Cooper respectfully requests that the Court grant this petition and award two forms of relief. First, Santee Cooper seeks a declaration that it is authorized and required to continue charging and collecting rates sufficient to cover 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 the Project. Second, Santee Cooper requests a writ of injunction preventing the *Cook* plaintiffs, Central, Palmetto, and their agents from taking any further legal action, including prosecuting their claims asserted in the circuit court litigation. Additionally, Santee Cooper requests that this Court grant such other writs or relief as this Court may deem just and proper.

ARGUMENT

I. Santee Cooper is a unique public agency, created by and for the benefit of the people of South Carolina, and is statutorily required to recover its costs and repay debtholders through collection of rates and charges to customers.

As a creation of the General Assembly, Santee Cooper is a unique entity that is authorized and governed by statute. The legislative framework to provide benefits to the entire State of South Carolina makes the financial integrity of Santee Cooper an issue of statewide significance.

A. The General Assembly created Santee Cooper, for the people of the State, to serve the public purposes of implementing the energy policy of the State and fostering economic development, and Santee Cooper continues to serve those purposes.

Santee Cooper is a "body corporate and politic," "owned completely by the people of the State" and operated "for the benefit of all of the people of the State." S.C. Code Ann. §§ 58-31-10 & -80. From its inception in 1934, Santee Cooper's mandate has been to develop the resources of the State "for the benefit of all the people of the State, [and] for the improvement of their health and welfare and material prosperity," and, by legislative decree, its purposes "are public purposes." S.C. Code Ann. § 58-31-80. Santee Cooper is a tax-exempt, non-profit corporation. *Id.* Revenues "not necessary for the prudent conduct and operation of its business" or to satisfy its bonds or other obligations must be "paid over semiannually to the State Treasurer for the general funds of the State and must be used to reduce the tax burdens on the people of this State." S.C. Code Ann. § 58-31-110.

Among the powers granted to Santee Cooper are the powers "to build [and] construct . . . power houses and any and all structures . . . necessary, useful or customarily used and employed in the manufacture, generation, and distribution of . . . power, including . . . generally all things used or useful in the manufacture, distribution, purchase, and sale of power" and "to manufacture, produce, generate, transmit, distribute, and sell water power, steam electric power, hydroelectric power, or mechanical power within and without the State of South Carolina." S.C. Code Ann. § 58-31-30(A)(7)–(8).

Santee Cooper is governed by a twelve-person Board of Directors, each appointed for a term of seven years by the Governor, with the advice and consent of the Senate. S.C. Code Ann. § 58-31-20. The Board oversees Santee Cooper's policies and operations and appoints a President

and Chief Executive Officer, who appoints Santee Cooper's executive management, subject to Board approval. S.C. Code Ann. § 58-31-30(A)(12). The Enabling Act established an Advisory Board consisting of the Governor, Attorney General, State Treasurer, Comptroller General, and Secretary of State, which is responsible for setting Board compensation, reviewing the Annual Report, and appointing the Authority's independent auditors. *See* S.C. Code Ann. § 58-31-20(D). The Board of Directors is responsible for establishing Santee Cooper's rates and submitting to its Advisory Board an Annual Report, which is then presented to the General Assembly. S.C. Code Ann. §§ 58-31-30(A)(13) & -20(D). An additional annual report of Santee Cooper's rates must be provided to the South Carolina Office of Regulatory Staff in the same manner as electric cooperatives. S.C. Code Ann. § 58-31-380.

Regulation of utility ratemaking is a legislative function. *See* S.C. CONST. art. IX, § 1. In Title 58, the General Assembly established dual regulatory frameworks governing electric utilities. Investor-owned utilities are regulated by the South Carolina Public Service Commission, which has been delegated regulatory power over rates charged by those utilities. *See* S.C. Code Ann. § 58-3-140(A). The General Assembly delegated regulatory power over rates charged by Santee Cooper to Santee Cooper's Board of Directors. *SCE&G*, 215 S.C. at 214, 54 S.E.2d at 786; *Clarke*, 177 S.C. 427, 181 S.E. at 488.

Early in Santee Cooper's history, several suits sought to declare Santee Cooper's enabling legislation unconstitutional under the South Carolina Constitution. In *Clarke*, this Court concluded that "there is no question as to the manufacture and sale of power being a public and governmental function," and recognized that Santee Cooper is a "governmental agency engaging in the hydroelectric power business for the benefit of the people of South Carolina." 177 S.C. 427, 181 S.E. at 486. The court further held Santee Cooper's power to fix its own rates is constitutional,

the bonds issued by Santee Cooper are valid and binding, and Santee Cooper has the power to make covenants to set rates sufficient to pay its debts. *Id.*, 181 S.E. at 485, 488; *see also Hodges v. Rainey*, 341 S.C. 79, 90, 533 S.E.2d 578, 583 (2000) (holding "Santee Cooper is a state agency").

Today, electricity from Santee Cooper is delivered, directly or indirectly, to all forty-six of South Carolina's counties. *See* Santee Cooper, Fingertip Facts 3 (2017), https://www.santeecooper.com/pdfs/about-santee-cooper/fingertip-facts/fingertip-facts-17.pdf (hereinafter "Fingertip Facts 2017"). Santee Cooper serves approximately 180,000 retail customers, twenty-seven military and large industrial customers, and four wholesale customers. Fingertip Facts 2017 at 11. All told, Santee Cooper serves approximately two million people in South Carolina. *See* Santee Cooper, Powering South Carolina: Annual Report 4 (2017), https://www.santeecooper.com/about-santee-cooper/communications/pdfs/2017_annual-report_final.pdf [hereinafter "2017 Annual Report"].

As intended by the General Assembly since its creation, Santee Cooper contributes directly to the general fund of the State of South Carolina. In 2017, as required by the Enabling Act, S.C. Code Ann. § 51-38-110, Santee Cooper contributed nearly $18 million "to the State Treasurer for the general funds of the State [to] be used to reduce the tax burden on the people of this State." *See* 2017 Annual Report at 13, 16.

As further intended by the General Assembly, Santee Cooper also engages in economic development that is vital to the State. Santee Cooper thus fulfills an important role in South Carolina—a role that affects and benefits all South Carolinians. *See* S.C. Code Ann. § 58-31-55 (requiring Santee Cooper's Directors to act in the best interest of Santee Cooper, and to give weight in their decision-making to "economic development and job attraction and retention"). For example, in 2015, Santee Cooper worked with the State, Berkeley County, and the electric

cooperatives to recruit Volvo to spend up to $500 million to build a facility in Berkeley County. 2017 Annual Report at 17. Santee Cooper owns approximately 3,900 acres of land adjacent to the Volvo site and is planning to oversee development of the property as an industrial park to serve Volvo suppliers and other industries. *Id.* In 2016, Santee Cooper worked with electric cooperatives to add $830.6 million in capital investment and 5,006 new jobs. *See* Fingertip Facts 2016 at 24. In 2017, Santee Cooper helped support 30 industrial announcements involving $1.6 billion in capital investment and more than 5,300 new jobs. *See* Fingertip Facts 2017 at 24, 31. Santee Cooper has provided loans, grants, and facilities to support economic development in every South Carolina county. *Id.* at 24.

B. The General Assembly designed Santee Cooper to operate independently through the collection of revenues from its customers.

Although Santee Cooper is a state agency, it receives no funds from the State and is prohibited from pledging "the credit and the taxing power of the State or any of its political subdivisions." *See* S.C. Code Ann. § 58-31-30(A)(21). Santee Cooper therefore is required to remain financially self-sufficient. *Id.* ("It is intended that the project to be developed hereunder and any and all projects undertaken by the provisions of this chapter shall be financed as self-liquidating projects and that the credit and taxing powers of the State, or its political subdivisions, shall never be pledged to pay said debts and obligations.").

Because Santee Cooper must remain self-sufficient, it is required by statute to charge rates

> at least sufficient to provide for payment of all expenses of the Public Service Authority, the conservation, maintenance, and operation of its facilities and properties, the payment of principal and interest on its notes, bonds, and other evidences of indebtedness or obligation, and to fulfill the terms and provisions of any agreements made with the purchasers or holders of any such notes, bonds, or other evidences of indebtedness or obligation.

S.C. Code Ann. § 58-31-30(A)(13). This Court has recognized that this statute "gave [Santee Cooper] such express, specific, and detailed permission to fix and determine its own rates." *SCE&G*, 215 S.C. at 206, 54 S.E.2d at 783; *see also Clarke*, 177 S.C. at 445, 181 S.E. at 488 (finding the "Authority was granted permission to fix its rates by a statute").

C. Santee Cooper is empowered to and did issue bonds and other debt instruments, including bonds secured by its revenues, and to make other agreements with bondholders and other creditors.

Santee Cooper has the power to borrow money and issue debt. *See* S.C. Code Ann. § 58-31-30(A)(14). In order to secure the debt, Santee Cooper is authorized to issue debt instruments that "pledge all or any of the property, contracts, franchises, or revenues of the Public Service Authority thereunder." *Id.* § 58-31-30(A). In conjunction with its authority to issue debt, Santee Cooper is empowered to enter into contracts with the holders of its debt. *Id.* § 58-31-30(A)(14).

The General Assembly authorized Santee Cooper to issue bonds and other debt instruments and make such agreements as necessary to secure the payment of the same. *See* S.C. Code Ann. § 58-31-30(A). The issuance of bonds and other debt instruments must be authorized by a resolution of Santee Cooper's Board of Directors containing the following provisions:

> (a) the rates of tolls and other charges for use of the facilities of, or for the services rendered by, or for the commodities furnished by the Public Service Authority, (b) the setting aside of reserves or sinking funds and the regulation and disposition of them . . . and (f) any other or additional agreements with the holders of the notes, bonds, or other evidences of indebtedness.

Id.

Accordingly, Santee Cooper's Board of Directors passed a Master Revenue Obligation Resolution ("Master Resolution") on April 26, 1999, which is attached as Exhibit B. The Master

Resolution establishes the general terms and conditions upon which Santee Cooper's revenue obligations may be issued. The Master Resolution states as follows:

> Pursuant to the provisions of the Enabling Act, the Authority is further authorized and empowered to borrow money and make and issue its negotiable bonds, notes and other evidences of indebtedness, at public or private sale, including refunding and advance refunding bonds, notes and other evidences of indebtedness, and to secure the payment of such obligations by pledge of its revenues; to make such agreements with the purchasers or holders of such bonds, notes or other evidences of indebtedness, or with others in connection therewith as the Authority shall deem advisable; to fix, alter, charge or collect tolls and other charges for the use of the facilities of, or for the services rendered by or for any commodities furnished by, the Authority, at rates to be determined by it, such rates to be at least sufficient to provide payment of all expenses of the Authority, the conservation, maintenance and operation of its facilities and properties, the principal of and interest on all its notes, bonds and other evidences of indebtedness and to fulfill the terms and provisions of any agreements made with the purchasers or holders of such bonds, notes or other evidences of indebtedness.

Master Resolution § 1.2(c) (emphasis added).

Pursuant to Santee Cooper's statutory authorization to issue debt, the Master Resolution created a new issue of revenue obligations payable solely from the revenues of Santee Cooper and secured by a lien on those revenues, to be held in the South Carolina Public Service Authority Revenue Obligation Fund. *Id.* §§ 2.1, 6.1. The Master Resolution provides that obligations may be issued for any corporate purpose of the Authority. *Id.* § 2.3. To secure the value of the new revenue bonds, Santee Cooper provided a rate covenant to the holders of debt obligations that it

> shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished, or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient to pay the principal of, premium, if any, and interest on the Original Bonds, the Revenue Bonds, and the Obligations, as and when the same shall become due and payable;

> to make when due all payments which the Authority is obligated to make (a) into the Revenue Bond Fund, (b) into the Lease Fund, (c) into the Revenue Obligation Fund created hereunder and (d) into the Capital Improvement Fund pursuant to the Revenue Bond Resolution and pursuant to this Resolution, and to make when due all other payments which the Authority is obligated to make into the special funds created under the Indenture for the payment of principal of, premium, if any, and interest on the Original Bonds, and all other payments which the Authority is obligated to make pursuant to the Indenture, the Revenue Bond Resolution, and this Resolution; to pay all proper Operation and Maintenance Expenses and all necessary repairs, replacements and renewals thereof, and all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof, or payments in lieu thereof; and to pay any and all amounts which the Authority may now be and hereafter become obligated to pay from the Revenues of the System by law or contract.

Id. § 8.2. (emphases added). Santee Cooper's Board of Directors has passed supplemental resolutions authorizing the issuance of a set amount of revenue obligations, classified by year and series, usable for any corporate purpose. *See, e.g.*, 2016C Series Resolution, attached as Exhibit C.

Santee Cooper issued revenue bonds pursuant to the principal amount, interest rate, redemption date, and additional terms authorized by each supplemental resolution. *See, e.g.*, Revenue Obligations, 2016 Tax-Exempt Refunding Series C, attached as Exhibit D. In each revenue bond, Santee Cooper again provided a rate covenant to bondholders that it:

> shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient: (a) to pay the principal of, premium, if any, and interest on the Revenue Obligations as and when the same shall become due and payable; (b) to make when due all payments which the Authority is obligated to make (i) into the Revenue Obligation Fund created under the Revenue Obligation Resolution, and (ii) into the Capital Improvement Fund pursuant to the Revenue Obligation Resolution; (c) to make all other payments which the Authority is

> obligated to make pursuant to the Revenue Obligation Resolution; (d) to pay all proper operation and maintenance expenses and all necessary repairs, replacements and renewals thereof; (e) to pay all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof or payments in lieu thereof; and (f) to pay any and all amounts which the Authority may become obligated to pay from the Revenues of the System by law or by contract.

Id. at 9 (emphases added). According to Santee Cooper's most recent annual report, it had approximately $7.4 billion in outstanding revenue obligations as of December 31, 2017. *See* 2017 Annual Report at 59.

D. The General Assembly protected the interests of debtholders by covenanting not to alter or limit Santee Cooper's power to repay and fulfill its obligations to debtholders through revenues collected from customers and by granting debtholders specific rights and remedies.

The General Assembly has acknowledged the importance of debtholders' rights and recognized that Santee Cooper collects rates to pay its debtholders. While Santee Cooper cannot pledge the State's credit or otherwise obligate the State, the State itself has covenanted with the holders of bonds and other forms of indebtedness that the State will do nothing to affect or impair Santee Cooper's ability to collect from its customers such sums as necessary to pay principal and interest on such debt and fulfill its obligations to debtholders. Further, if Santee Cooper fails to collect rates sufficient to pay its debtholders, the Enabling Act provides remedies that allow the debtholders to pursue legal action to compel Santee Cooper to collect sufficient rates or to take control of Santee Cooper and collect those rates themselves. These statutory mechanisms in the Enabling Act insure the debtholders are paid, regardless of whether Santee Cooper defaults on the debt. Santee Cooper can avoid a default—and the ensuing legal process—by collecting rates sufficient to pay the debtholders.

To ensure the value and security of Santee Cooper's revenue bonds and other forms of indebtedness, and to protect the debtholders, the State covenanted and agreed with them that the State

> will not alter, limit or restrict the power of the Public Service Authority to, and the Authority shall, fix, establish, maintain and collect rents, tolls, rates and charges for the use of the facilities of or for the services rendered or for any commodities furnished by the Public Service Authority, at least sufficient to provide for payment of all expenses of the Public Service Authority, the conservation, maintenance and operation of its facilities and properties and the payment of the principal of and interest on its notes, bonds, evidences of indebtedness or other obligations, and to fulfill the terms and provisions of any agreements made with the purchasers or holders of any such notes, bonds, evidences of indebtedness or obligations heretofore or hereafter issued or incurred.

S.C. Code Ann. § 58-31-360 (emphases added). The State has pledged not to "alter or limit the rights hereby vested in the Public Service Authority until the said notes, bonds, evidences of indebtedness, or other obligations, together with the interest thereon, are fully met and discharged[,]" without making adequate provision for the security of those debts. S.C. Code Ann. § 58-31-30(A)(21). As noted by this Court, "[t]his language creates a contract." *S.C. Pub. Serv. Auth. v. Summers*, 282 S.C. 148, 154, 318 S.E.2d 113, 116 (1984).

Under the Enabling Act, Santee Cooper's resolutions authorizing debt may provide that, in the event of default, the trustees for the holders of debt obligations may, or upon request of twenty-five percent of those debtholders shall, do the following:

> (1) By mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the holders of such obligations;
> (2) Bring suit upon such obligations, the coupons appurtenant thereto, or both;
> (3) By action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the holders of such obligations;

> (4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such obligations;
> (5) After such notice to the Authority as such resolution may provide, declare the principal of all such obligations due and payable, and if all defaults shall have been made good, then with the written consent of the holder or holders of twenty-five per centum in aggregate principal amount of such obligations at the time outstanding, annul such declaration and its consequences . . . .

S.C. Code Ann. § 58-31-40 (emphases added). The resolutions may also provide that, in any such suit,

> any such trustee, whether or not all of such obligations have been declared due and payable, and with or without possession of any thereof, shall be entitled as of right to the appointment of a receiver who may enter upon and take possession of all or any part of the properties of the Authority and operate and maintain the same, and fix, collect and receive rates, tolls, and charges sufficient to provide revenues to pay the items specified in clause 13 of Section 58-31-30 hereof and all costs and disbursements of such suit, action or proceeding, such revenues to be applied in conformity with the provisions of this chapter and the resolution or resolutions authorizing such obligations . . . .

Id. (emphasis added).

In furtherance of this statutory authority, the rate covenant of the Master Resolution permits trustees to move for appointment of a receiver at any time in which Santee Cooper's rates are inadequate to provide sufficient revenues under the rate covenant, regardless of whether default has occurred. Master Resolution § 8.2. Additionally, the Master Resolution provides that Santee Cooper defaults if it is late in paying any obligation or violates or fails to perform any of the covenants or agreements in the Master Resolution. *Id.* § 10.1. In the event of default, the trustees may declare Santee Cooper's outstanding obligations due and payable immediately and move for appointment of a receiver. *Id.* §§ 10.1, 10.4.

Santee Cooper, in exercising the powers delegated to it by the General Assembly, has entered into covenants with the holders of its bonds and other obligations. Those covenants, consistent with the Enabling Act, include a covenant to set, maintain, and collect rates sufficient to cover costs, pay principal and interest, and fulfill other obligations to debtholders. Using the court system to thwart the exercise of these delegated powers jeopardizes the fulfillment of the obligations Santee Cooper is statutorily required to meet. Moreover, using the courts for this purpose puts at risk the State's own obligations to debtholders—its pledge and covenant that the State will not impair or limit Santee Cooper's ratemaking powers.

E. The General Assembly expressly authorized Santee Cooper to serve Central and the electric cooperatives and it does so pursuant a long-term agreement for the majority of Santee Cooper's capacity.

An electric cooperative is an independent, not-for-profit business whose ratepayers are its "members." Central affords purchasing power to the electric cooperatives and provides wholesale electric service to South Carolina's electric cooperative system. Central owns transmission systems, purchases power from generators—particularly Santee Cooper—and transmits power to the electric cooperatives which, in turn, deliver power to consumers. In 1973, Santee Cooper was statutorily granted the express right to serve Central and its members. S.C. Code Ann. § 58-31-320. Santee Cooper has the duty to provide and sell, and Central has the duty to receive and pay for, the bulk of Central's electric power and energy requirements, which account for approximately 70% of Santee Cooper's electric power and energy generating capacity or "load."

Central is required to pay for the electric power and energy provided to it by Santee Cooper based on Santee Cooper's cost of providing that electric power and energy. Under this "cost of service" approach, the rates Central is obligated to pay Santee Cooper are specifically designed to allow Santee Cooper to recover approximately 70% of its costs in providing electric power and

energy to Central.[12] As with all of Santee Cooper's rates, the rates it charges to Central must be at least sufficient to allow Santee Cooper to pay its expenses; conserve, maintain, and operate its facilities; pay the principal and interest on its debt; and fulfill its obligations to bondholders and other creditors.

F. The General Assembly authorized Santee Cooper to enter into joint ownership of and plan and finance the project to build V.C. Summer Units 2 and 3.

The General Assembly made it clear that Santee Cooper was authorized to enter into joint ownership of and plan and finance V.C. Summer Units 2 and 3 in the Enabling Act, specifically S.C. Code Ann. § 58-31-200, as amended in 2006. In that year, based on the anticipated electric power and energy needs of its customers, including Central, Santee Cooper—in a partnership with SCE&G—began the process of constructing two new nuclear power generating units at the existing V.C. Summer Nuclear Generating Station site.

Ultimately, on July 31, 2017—after numerous construction issues and delays, the renegotiation of the Project's construction contract to establish a fixed price for completion, the bankruptcy of the general contractor, and Santee Cooper's subsequent assessment that completing one or both of the new nuclear reactors would result in a cost of power significantly higher than available alternative options—Santee Cooper made the decision to suspend construction of the Project.

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[12] Michael Couick, President and Chief Executive Officer of The Electric Cooperatives of South Carolina, Inc., stated in a letter to leaders of the General Assembly that "Central's contract with Santee Cooper results in the Cooperatives paying about 70 percent of Santee Cooper's capital costs, including those incurred building the new units at V.C. Summer." *See* Letter from Couick to Leatherman and Lucas (Aug. 22, 2017), attached as Exhibit E

II. Litigation related to the Project threatens the existence of this unique agency, and failing exercise of this Court's jurisdiction, the delay and uncertainty attending that litigation would constitute immediate, substantial, and irreparable harm to Santee Cooper.

On August 22, 2017, the *Cook* case was filed in circuit court in Hampton County.[13] The plaintiffs are residential ratepayers who purchase their electricity either directly from Santee Cooper or from an electric cooperative that purchases electricity from Santee Cooper and distributes it to residential customers. *See* Fourth Am. Compl. ¶¶ 2–7, attached as Exhibit F. The *Cook* plaintiffs allege they were charged and paid costs associated with the Project and seek, among other relief, a declaration that Santee Cooper lacks the statutory authority to charge and collect that portion of rates allegedly associated with the costs of the Project. *See generally* Fourth Am. Compl. The defendants named in *Cook* are Santee Cooper, the members of Santee Cooper's Board of Directors, Central, Palmetto, SCE&G, and SCANA Corporation. *Id.* at 1.

On April 25, 2018, Central filed cross-claims against Santee Cooper and its Directors asserting several causes of action and seeking the same declaration as the plaintiffs. *See* Central Answer to Fourth Am. Compl. & Cross-Claims pp. 18–20, attached as Exhibit G. Through these claims, Central seeks to avoid paying its share of the Project's costs when such rates and charges become due and payable. On June 15, 2018, Palmetto filed a similar cross-claim. *See* Am. Answer of Def. Palmetto Electric Cooperative, Inc. and Crossclaim, attached as Exhibit H.

John Tiencken, counsel to Central and former president, CEO, and general counsel of Santee Cooper, testified before the House Utility Ratepayer Protection Committee and forecast the

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[13] The *Cook* case began as two separate putative class actions. A second lawsuit styled as *Chris Kolbe and Ruth Ann Keffer, et al. v. South Carolina Public Service Authority, et al.*, Case No. 2017-CP-08-2009, was filed in Berkeley County circuit court on August 23, 2017. The plaintiffs obtained leave of court to combine the *Cook* and *Kolbe* cases into one, and they dismissed the *Kolbe* action without prejudice on March 29, 2018.

cross-claims that Central later filed against Santee Cooper. Mr. Tiencken, recognizing Central's responsibility to contribute toward the recovery of the costs associated with the Project through the payment of rates and charges for energy and power, spoke of litigation whose effect would be to drive Santee Cooper to financial ruin and noted that this result would negatively affect the State:

> Unlike, however, SCANA or SCE&G, which has shareholders which can carry part of the burden of those costs associated with the failed units at 2 and 3 at Jenkinsville, Santee Cooper can only look to its rates to recover those costs and that has made the cooperatives, of course, concerned perhaps in the future that those costs will make, as they become payable and due over the years, will become – make the cooperatives less competitive and as those costs go up, the competitive positioning of the cooperatives will be affected and since the cooperatives serve such a large part of the state we are sure that the competitive position of the state is also impacted. So we are very interested in what happens to those costs over a period of time. It is possible, of course, that Santee Cooper's bondholders could take a piece of that burden for the failure of the nuclear plant but that would only happen in the event of a bankruptcy of Santee Cooper caused by litigation, which prevents Santee Cooper from recovering costs of the nuclear plant. And, of course, that path has implications for the state's credit reputation and for the many people who invested in the formerly AA rated Santee Cooper. A better option is to maximize the value of Santee Cooper, that is, determine if a meaningful restructuring can lessen the impact of the future rate increases; look to see if the portions of Santee Cooper could be sold, taking into consideration of course, employee retention, economic impact to the community, and long-term rate implications.

Tiencken Testimony (emphasis added).

The total cost of the Project to Santee Cooper was approximately $4.2 billion. *See* 2017 Annual Report at 21–22. Santee Cooper has approximately $4.2 billion in outstanding debt related to the Project. *Id.* As of December 31, 2017, Santee Cooper had $7.4 billion in outstanding revenue obligations. 2017 Annual Report at 59. At the same time, Santee Cooper had $1.8 billion in cash and investments, of which $1.5 billion was available for liquidity purposes to fund various

operating, construction, debt service, and contingency requirements. *Id.* at 22, 28. Santee Cooper's operating and maintenance expenses in 2017 totaled $1.7 billion. *Id.* at 32.

As noted above, the Enabling Act and Santee Cooper's debt covenants require Santee Cooper to collect rates sufficient to cover all of its expenses. *See* S.C. Code Ann. §§ 58-31-30(A)(13) & -360. Santee Cooper cannot rely on the credit or taxing power of the State; it must remain financially self-sufficient. *Id.* § 58-31-30(A)(21). Thus, Santee Cooper must rely exclusively on revenue from rates to pay off its debts. If Santee Cooper were prevented from collecting rates sufficient to cover all of its expenses, eventually it would be unable to repay its debtholders and would default on the debt instruments. Santee Cooper's default on its debt instruments would create financial instability and place Santee Cooper in immediate peril. A default would ruin Santee Cooper's credit rating and render future investment in Santee Cooper risky and expensive. *See Consol. Aluminum Corp. v. Tenn. Valley Auth.*, 462 F. Supp. 464, 478 (M.D. Tenn. 1978) (analyzing a similar issue related to the Tennessee Valley Authority ("TVA") and noting the potential for harm to the TVA "and to the public interest in placing TVA in default with respect to its statutory obligations and its covenants with the holders of its bonds, which defaults could adversely affect TVA's credit rating, future costs of money, and future levels of rates resulting in any increases in costs of money").

The concomitant uncertainty that Santee Cooper might be precluded from collecting rates sufficient to cover its expenses has already created financial consequences for Santee Cooper constituting immediate and irreparable harm. According to *The Bond Buyer*, in March 2018, Fitch Ratings and S&P Global Ratings revised their outlooks on Santee Cooper's bonds from "stable" to "negative" based on concerns about litigation between Santee Cooper and Central and the ability of Santee Cooper to recover Project-related costs. *See* Shelly Sigo, "Santee Cooper Nuclear

Turmoil Lands the Utility on Review for Downgrade," THE BOND BUYER (May 3, 2018), https://www.bondbuyer.com/news/santee-cooper-nuclear-turmoil-lands-the-utility-on-review-for-downgrade. Further, Moody's Investors Service announced that Santee Cooper's outstanding debt may be downgraded "due to pending legislation, litigation, and a weak balance sheet" and that Santee Cooper's "A1 bond rating, A2 bank bond rating and the P-1 rating on outstanding commercial paper notes are under review for downgrade." *Id.*[14] This announcement by Moody's specifically noted that "[t]he rating action reflects the continued uncertainty around Santee Cooper's ability to maintain a self-regulated cost recovery framework, our growing concern that legislative actions may lead to some form of permanent rate reduction at Santee Cooper, increased litigation risk, and a weakened balance sheet" and that "[l]egislative actions relating to the state's utilities' ability to recover Summer-related [nuclear] costs along with the ongoing litigation between Santee Cooper and its largest customer add additional uncertainty to the utility's credit quality." *Id.* The announcement further explained that Moody's decision was directly based on the allegations in *Cook* and Central's cross-claims: "In a ratepayer lawsuit against Santee Cooper, Central Electric Power Cooperative filed a cross-claim contending that Santee Cooper does not have the authority to recover costs from the cooperative related to the shelved reactor project." *Id.*

The issue in this case significantly affects the public interest. From its inception, Santee Cooper and its debtholders have relied on its statutorily delegated ratemaking power and the requirement that Santee Cooper's rates suffice to fulfill its obligations to those debtholders whose extension of credit made its creation and continuing existence possible. The continuing operation

[14] "A bond rating is an indicator or assessment of the issuer's ability to meet its principal and interest payments in a timely manner in accordance with the terms of the issue." Ronald J. Mann, *Explaining the Pattern of Secured Credit*, 110 HARV. L. REV. 625, 683 n.130 (1997).

of a state agency that was created to benefit all of the people of South Carolina and the interest of serving the broader statutory purposes set forth in the Enabling Act depend on an expedient ruling from this Court.

III. This case is properly brought, and the issue presented is properly decided, in this Court's original jurisdiction.

A. The action is within the Court's jurisdiction.

This action falls within the scope of this Court's constitutionally and statutorily defined jurisdiction and is properly brought in the first instance in this Court. Under Rule 245(a) of the South Carolina Appellate Court Rules, the Court may assume jurisdiction when "the public interest is involved, or if special grounds of emergency or other good reasons exist why the original jurisdiction of the Supreme Court should be exercised." Rule 245(a), SCACR. This Court may accept a case in the Court's original jurisdiction for the purpose of issuing a declaration. *See, e.g.*, *Amisub of S.C. v. S.C. Dep't of Health & Envtl. Control*, 407 S.C. 583, 587–88, 757 S.E.2d 408, 411 (2014) (accepting a case in the original jurisdiction to rule on parties' requests for a declaration that a state agency was obligated to take a particular action). Further, this Court has the power to issue writs, including the writ of injunction. S.C. CONST. art. V, § 5 ("The Supreme Court shall have power to issue writs or orders of injunction, mandamus, quo warranto, prohibition, certiorari, habeas corpus, and other original and remedial writs."); S.C. Code Ann. § 14-3-310 (same).

As more fully detailed below,[15] this matter involves a question of significant public interest that cannot initially be decided in the circuit court in the first instance without material prejudice to the rights of the parties. *See* Rule 245(a), SCACR; *see also Key v. Currie*, 305 S.C. 115, 116,

[15] *See* discussion *infra* at Section III.C. and D. pp. 28–34 (discussing material prejudice of litigating in the lower court and the effects on the public interest).

406 S.E.2d 356, 357 (1991) ("Only when there is an extraordinary reason such as a question of significant public interest or an emergency will this Court exercise its original jurisdiction.").

Similarly, this Court may grant a writ of injunction if an irreparable injury is threatened for which a party has no adequate remedy at law. *See Greenwood Cty. v. Shay*, 202 S.C. 16, 23 S.E.2d 825, 828 (1943); *Sanford v. S.C. State Ethics Comm'n*, 385 S.C. 483, 496, 685 S.E.2d 600, 607 (2009). In issuing a writ of injunction, this Court has the power to issue a writ enjoining parties from prosecuting actions in the court of common pleas. *State ex rel. Daniel v. John P. Nutt Co.*, 180 S.C. 19, 185 S.E. 25, 29 (1935). As discussed herein,[16] the delay and uncertainty attendant to the *Cook* litigation present circumstances bringing this matter well within this Court's jurisdiction to issue a writ of injunction.

B. The Court should accept this case in its original jurisdiction as it has done in prior cases challenging Santee Cooper's powers.

This Court consistently exercises original jurisdiction over actions that involve the public interest. *See, e.g., Boone v. Quicken Loans, Inc.*, 420 S.C. 452, 455, 803 S.E.2d 707, 708 (2017) (deciding a case in the court's original jurisdiction to issue a declaration regarding alleged unauthorized practice of law); *Mitchell v. Spartanburg Cty. Legislative Delegation*, 385 S.C. 621, 622, 685 S.E.2d 812, 813 (2009) (specifically authorizing an action in the original jurisdiction of the court because the action presented an issue of public interest); *Sloan v. Hardee*, 371 S.C. 495, 497, 640 S.E.2d 457, 458 (2007) (same); *S.C. State Ports Auth. v. Jasper Cty.*, 368 S.C. 388, 392–93, 629 S.E.2d 624, 626 (2006) (deciding whether the Ports Authority's condemnation power is superior to that of Jasper County); *Charleston Cty. Parents for Pub. Sch., Inc. v. Moseley*, 343 S.C.

[16] *See* discussion *supra* at Section II, pp. 22–23 (discussing actions taken by credit rating agencies), and *infra* at Section III.C, pp. 28–29 (discussing effects on the public interest).

509, 511, 541 S.E.2d 533, 543 (2001) (deciding a school tax issue in the original jurisdiction of the court); *City of Hardeeville v. Jasper Cty.*, 340 S.C. 39, 41–42, 530 S.E.2d 374, 375 (2000) (determining the authority of a county to enact accommodations and hospitality taxes).

This Court has exercised its original jurisdiction to determine issues related to Santee Cooper's authority. *See Creech*, 200 S.C. 127, 20 S.E.2d 645; *Clarke*, 177 S.C. 427, 181 S.E. 481. In *Creech*, a citizen brought an action challenging Santee Cooper's authority to purchase already-developed power plants in the South Carolina midlands. *Creech*, 200 S.C. 127, 20 S.E.2d at 647. This Court noted the public nature of Santee Cooper and accepted the case in its original jurisdiction to examine whether the Enabling Act provided Santee Cooper with the powers it sought to exercise. *See id.*, 20 S.E.2d at 648–50 ("In our opinion, the South Carolina Public Service Authority is a public corporation in the nature of a quasi municipal corporation, exercising certain governmental functions as an agency of the State."). In *Clarke*, this Court noted Santee Cooper was created for a variety of express public purposes, including "the promotion of navigation, the betterment of public health, the establishment of a system of flood control, the reforestation of watersheds, and the construction of a hydroelectric development to furnish adequate and cheap electrical energy to all of the people of South Carolina." 177 S.C. 427, 181 S.E. at 486.

The Court's opinions in *Creech* and *Clarke* demonstrate that the issue in this case related to Santee Cooper's statutory powers is a matter of public interest. Like *Creech*, this case turns on a question regarding Santee Cooper's statutory authority. The issue in this case, therefore, has the same "public character and importance" as the issue in *Creech*. *See id.*, 20 S.E.2d at 647; *see also Summers*, 282 S.C. at 150, 318 S.E.2d at 114 (explaining Santee Cooper exists for a public purpose).

Moreover, in *Clarke*, this Court already decided issues raised by the *Cook* plaintiffs and Central. First, the Court affirmed the constitutionality of the provisions in the Enabling Act allowing Santee Cooper to fix its rates. *Clarke*, 177 S.C. 427, 181 S.E. at 488. Although the plaintiff in *Clarke* argued the Act improperly allowed Santee Cooper's debtholders to control Santee Cooper's rates, the Court rejected that argument and found Santee Cooper had "ample power" to make "covenants which would naturally follow from the borrowing of money with which to finance a public development." *Id.* Those covenants include Santee Cooper's duty to set rates sufficient to pay for all of its costs and expenses. *See* S.C. Code Ann. § 58-31-30(A)(13). Second, the Court confirmed that Santee Cooper is entitled to charge rates for projects that are under construction and not yet in use. *Clarke* was a challenge to the creation of Santee Cooper; no project had yet been completed. One of the purposes of the Enabling Act was to allow Santee Cooper to engage in construction of a hydroelectric and navigation project. *See id.*, 181 S.E. at 483. Despite this Court's prior exercise of its original jurisdiction to affirm Santee Cooper's powers, the *Cook* plaintiffs and Central are asking the circuit court to issue a ruling that contravenes this Court's decision in *Clarke*. The Court should accept this case to prevent an inconsistent ruling.

The highest court in at least one other state has exercised its original jurisdiction to determine the statutory authority and obligation of a public utility to collect rates sufficient to cover all of its costs and expenses. *See, e.g.*, *State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist.*, 151 S.E.2d 102, 103–04 (W.Va. 1966). In that case, filed by a public utility's bondholders, the Supreme Court of Appeals of West Virginia held that a public utility was required to charge rates sufficient to pay the principal and interest on its bonds and granted the bondholders' request for a

writ of mandamus requiring the public utility to charge sufficient rates. *Id.* at 108–09 (analyzing statutory language similar to S.C. Code Ann. § 58-31-30).

C. The issue presented here cannot be litigated in the first instance in the lower court without material prejudice to Santee Cooper and the State.

Litigating the issue presented here in the lower court will take time and lead to an extended period of uncertainty, as shown by the reactions of credit rating agencies, and delay and uncertainty prejudice Santee Cooper. *See* discussion *supra* at Section II, pp. 22–23 (regarding action of credit rating agencies). Concerns about ongoing litigation, litigation risks, and even the filing of a motion have been cited as concerns by credit rating agencies. *Id.*

A representative of a party in the lower court litigation testified about the advantages it would gain through "a bankruptcy of Santee Cooper caused by litigation." *See* discussion *supra* at Section II, pp. 20–24 (citing Tiencken Testimony). And while some advantage might rebound to Central, Mr. Tiencken in his testimony acknowledged that the State's credit reputation and the many people who invested in Santee Cooper would suffer. *Id.*

Additionally, a civic partisan group has submitted to the General Assembly a report stating that if Santee Cooper cannot collect rates sufficient to pay all of its expenses and principal and interest on its debt, it may not survive as a going concern.[17] *See* Katie Sobczyk Player, Michael T. Maloney, & Oran P. Smith, *Santee Cooper's Uncertain Future: A Historical, Policy and Financial Analysis of the South Carolina Public Service Authority*, PALMETTO PROMISE INSTITUTE 33, 34 (Mar. 20, 2018), https://palmettopromise.org/wp-content/uploads/2018/03/Santee-Cooper.pdf. This petition is being filed to protect a valuable State asset from further risk and

[17] Santee Cooper does not agree with or adopt this report as accurate, but the public and elected officials have been informed of this report.

uncertainty. The issue presented here cannot be litigated in the lower court without material prejudice to Santee Cooper and the State, and Santee Cooper respectfully requests that this Court grant the petition and address the issue expeditiously.

D. The issue presented by this case has a significant effect on the public interest.

1. This issue affects all citizens of South Carolina because Santee Cooper is owned by the people of the State and contributes significantly to the State's economic development.

Whether Santee Cooper is entitled to collect rates sufficient to pay all of its expenses, principal and interest on bonds and other debts, and to fulfill its obligations to bondholders and other creditors undoubtedly affects the public interest.[18] First and foremost, the public interest is affected because Santee Cooper is owned by and for the benefit of the people of South Carolina, and as such its continued financial integrity and ongoing operations are a matter of significant interest to the people of the State. The nexus between Santee Cooper and the interests of its owners, the people of South Carolina, is reflected in the General Assembly's specification of "preservation of the financial integrity of the Public Service Authority and its ongoing operation" as factors a director must weigh in discharging his duties as a director. S.C. Code Ann. § 58-31-55(A)(3)(A).

Further, Santee Cooper serves two million people across every county in South Carolina, and its economic development activity greatly benefits the State. As the facts detailed above illustrate, Santee Cooper has been instrumental in South Carolina's economic development

[18] In addition to the reasons advanced here, the Attorney General, in seeking to appear as an amicus in the *Cook* action, has agreed that the public has a strong interest in rates related to the Project. *See* State's Motion for Leave to File Amicus Brief, C/A No. 2017-CP-25-00348 (Hampton Cty. filed June 8, 2018) (arguing the case is too publicly important to be arbitrated), attached as Exhibit I.

successes, including the Volvo facility. Santee Cooper's contributions have resulted in $830.6 million capital investment and 5,006 jobs in 2016; $1.6 billion in industrial projects and 5,300 jobs in 2017; and loans, grants, and facilities that benefit every county.[19]

Santee Cooper thus fulfills an important role in South Carolina—a role that affects and benefits all South Carolinians. S.C. Code Ann. § 58-31-55 (requiring Santee Cooper's Directors to act in the best interest of Santee Cooper, which includes "economic development and job attraction and retention"). As explained above, Santee Cooper is dependent on revenue from issuing debt and power rates to fund its operating costs and service its existing debt. Ongoing litigation and uncertainty over Santee Cooper's ability to raise revenue clearly affect the public interest by threatening Santee Cooper's fundamental purposes, including its role in economic development.

2. The issue affects the public interest because it implicates the credit of the State and the covenants between the State and Santee Cooper's debtholders.

Santee Cooper has already suffered adverse impacts associated with the ongoing litigation in adjustments to its credit rating.[20] Further damage is threatened if this Court does not accept the petition. The damage caused by failing to address the question raised by this petition, however, would not be limited solely to Santee Cooper. John Tiencken, Central's general counsel, noted that a Santee Cooper bankruptcy—a possibility if Santee Cooper cannot charge rates sufficient to cover its expenses and payment of principal and interest on its bonds and other obligations—would harm the State and would have "implications for the state's credit reputation and the many people

[19] *See* discussion *supra* at Section I.A, pp. 10–11, regarding Santee Cooper's participation in economic development initiatives.

[20] *See* discussion *supra* at Section II, pp. 20–24, regarding the harm presented by the delay and uncertainty attendant to litigation.

who invested in the formerly AA rated Santee Cooper." *See* Tiencken Testimony. The harm resulting from delay in addressing the question presented and the related uncertainty of proceeding in the lower court therefore would have a wide-ranging and significant impact on the public interest.

In addition, this Court must confirm the reliability of South Carolina law and the State's contracts. The State's covenants with holders of Santee Cooper debt instruments issued "for the construction of any project," found in section 58-31-30(A)(21), is a contract that is binding upon the State. *See Summers*, 282 S.C. at 154, 318 S.E.2d at 116 (finding section 58-31-30 created a contract between the State and Santee Cooper's debtholders and explaining the language of that statute "creates a contract protected by the contract clause, as the bonds themselves constitute a contract between the South Carolina Public Service Authority and its bondholders. The bonds refer to and incorporate the covenants made by the State in § 58–31–[3]0"); *see also Layman v. State*, 368 S.C. 631, 639, 630 S.E.2d 265, 269 (2006) (explaining a statute that uses contractually significant language "demonstrates, in unambiguous terms, the intent of the legislature to bind itself to the terms in the statute"). In addition to the covenant contained in Santee Cooper's original enabling legislation, the General Assembly enacted a separate covenant, separately codified at section 58-31-360, between the State of South Carolina and persons purchasing bonds and other credit instruments issued by Santee Cooper. S.C. Code Ann. § 58-31-360. In these separate pledges and covenants with debtholders, which this Court has held to be binding contracts, the State undertook its own obligations to the holders of bonds and other debt instruments.

Relying on the State's statutory covenants to protect the debtholders, investors purchased interests in Santee Cooper's bonds or loaned funds to Santee Cooper. The plain language of sections 58-31-30(A)(21) and -360 represents the State's covenant to refrain from any action that

would impair or interfere with the debtholders' rights and Santee Cooper's payment of the debt, and demonstrates a legislative recognition of the primacy of paying back the debtholders. Uncertainty surrounding whether this (or any) clear South Carolina law will be applied in a reliable and consistent manner would have widespread detrimental effects on public finance throughout the state.

Finally, Santee Cooper is statutorily required to set rates sufficient to cover expenses, maintain, preserve, and operate facilities, pay principal and interest on debt, and fulfill other obligations to bondholders. S.C. Code Ann. §§ 58-31-30(A)(13) & -360. Santee Cooper's Board of Directors is required to exercise its duties with due regard to the ongoing provision of electricity to customers and economic development. *Id.* § 58-31-55(A). Delay and uncertainty frustrate these purposes and jeopardize the interests not only of those persons Santee Cooper serves, but also economic development and other public purposes.

During the General Assembly's latest session, legislation was proposed that would have impaired Santee Cooper's statutory mandate to collect rates sufficient to cover its expenses and pay principal and interest on its outstanding debt, including debt related to the Project. The General Assembly thus recognizes that Santee Cooper currently has the authority to maintain and collect rates sufficient to satisfy obligations to debtholders.[21] *Cf. Creech*, 200 S.C. 127, 20 S.E.2d at 652

[21] Importantly, any amendment to the Enabling Act would only apply only prospectively—*i.e.*, to future projects—and would not affect Santee Cooper's right to collect rates for V.C. Summer Units 2 and 3. *See Harleysville Mut. Ins. Co. v. State*, 401 S.C. 15, 29–30, 736 S.E.2d 651, 658 (2012) (finding the General Assembly could not apply an amendment retroactively because it would "substantially impair[] pre-existing contracts by materially changing their terms"); *see also, e.g.*, S.C. Code Ann. § 58-31-150 (providing any amendment to the statute may not impair the obligation of any contracts made by Santee Cooper under the Enabling Act); *see also* U.S. CONST. art. I, § 10 ("No State shall . . . pass any . . . Law impairing the Obligation of Contracts . . . ."); S.C. CONST. art. I, § 4 ("No . . . law impairing the obligation of contracts . . . shall be passed . . . .").

(considering proposed amendments conferring a specific authority on Santee Cooper as evidence that the as-written statutes did not confer that authority). Santee Cooper respectfully requests that the Court reaffirm the primacy and reliability of South Carolina law in an expedient ruling pursuant to this petition.

3. The public interest is affected because a circuit court ruling on this issue threatens to generate additional, potentially conflicting legal proceedings that would be necessary to protect the debtholders' rights.

If eventually Santee Cooper were to become unable to pay its debts, the Enabling Act provides the debtholders with the right for them to compel Santee Cooper to perform its obligations under the statutory covenants and debt covenants. *See* S.C. Code Ann. §§ 58-31-30(A)(21) & -40. The Enabling Act requires the trustee for holders of Santee Cooper's debt obligations to institute legal action upon request of the holders of 25% of the aggregate principal of the obligations. S.C. Code Ann. § 58-31-40. The Enabling Act also permits the trustee to seek appointment of a receiver and expressly empowers the receiver to take control and operate Santee Cooper and "fix, collect and receive rates, tolls, and charges sufficient to provide revenues to pay the items specified in clause 13 of Section 58-31-30." *Id.* The statute also provides that the rates collected by the receiver must be sufficient to pay "all costs and disbursements of such suit, action or proceeding." *Id.*

As noted above, one of Santee Cooper's adversaries has indicated, in testimony before the General Assembly, that litigation could be a tool for forcing Santee Cooper into bankruptcy, and credit rating agencies report that the uncertainty presented by the litigation adversely affected their view of Santee Cooper's credit rating. If delay and uncertainty were allowed to continue unabated and eventually impaired Santee Cooper's ability to meet its obligations, the trustee would have the right—and would be required if requested by enough debtholders—to institute additional legal

proceedings seeking a ruling directly contrary to the result sought by Central, Palmetto, and the plaintiffs in the circuit court in the *Cook* action.[22] Finally, the debtholders would also have the right to seek a writ of mandamus compelling Santee Cooper's Board of Directors to set rates sufficient to cover the obligations identified in section 58-31-30—an act that could bring this issue directly to this Court via the Court's original jurisdiction.

The debtholders invested in Santee Cooper with the understanding that Santee Cooper would set rates sufficient to allow it to remain a going concern and fulfill its obligation to pay principal and interest on the debt. They did not invest with the expectation that litigation would be a tool used to dismantle the debt covenants and other parts of the statutory framework established by the General Assembly in the Enabling Act.

E. By deciding the issue presented in this petition in the first instance, the Supreme Court can avoid the delay and uncertainty that threaten Santee Cooper during the pendency of the litigation in circuit court.

This Court can avoid the multiplication of legal proceedings and other adverse consequences affecting the public interest by ruling on this issue in the first instance. Uncertainty and delay thwart Santee Cooper's ability to exercise the powers granted by the General Assembly. The longer uncertainty exists, the greater the harm to Santee Cooper and the higher the risk to the State by reason of its covenant with debtholders. Santee Cooper's bond rating would be adversely affected further. Santee Cooper has already faced the threat of its bond rating being downgraded. The risk that Santee Cooper may eventually be unable to pay its debtholders poses a threat to its ongoing viability. Its inability to pay its debt would result in receivership and potential bankruptcy. Accordingly, it is necessary for this Court to consider and rule upon this issue now, before Santee

[22] This remedy is also provided in other states' statutory bond covenants. *See, e.g., Camden Cty. v. Pennsauken Sewerage Auth.*, 105 A.2d 505, 510 (N.J. 1954).

Cooper's future is placed at further risk in the circuit court. An issue of this magnitude for all of South Carolina should be decided by the State's highest court.

CONCLUSION

This matter significantly affects the public interest, and Santee Cooper and South Carolina as a whole would suffer material prejudice if the issue were not decided by this Court in the first instance. Accordingly, Santee Cooper respectfully asks this Court to accept this case in its original jurisdiction so it may declare that Santee Cooper is required by statute to continue collecting rates sufficient to pay for all of 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 the Project. Santee Cooper further respectfully requests that this Court issue a writ enjoining the *Cook* plaintiffs, Central, and Palmetto from prosecuting their claims asserted in the circuit court litigation, and for such other relief as this Court deems just and proper.

(signature page attached)

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6/25, 2018

Exhibit A

Original Jurisdiction Complaint

THE STATE OF SOUTH CAROLINA
In The Supreme Court

IN THE ORIGINAL JURISDICTION OF THE SUPREME COURT

South Carolina Public Service Authority,..... Petitioner,

v.

Central Electric Power Cooperative, Inc.; Palmetto Electric Cooperative, Inc.; Jessica S. Cook; Corrin F. Bowers & Son; Cyril B. Rush, Jr.; Bobby Bostick; Kyle Cook; Donna Jenkins; Chris Kolbe; and Ruth Ann Keffer,.....

Respondents.

COMPLAINT

Plaintiff South Carolina Public Service Authority ("Santee Cooper" or "the Authority") alleges as follows:

INTRODUCTION

1. The Authority files this lawsuit in the South Carolina Supreme Court's original jurisdiction because it involves an important issue of state law that should be decided in this Court in the first instance.

2. This important issue, which affects the continued financial integrity of a state agency owned by and for the benefit of the people of South Carolina, is whether the statutes that create and govern the Authority, S.C. Code Ann. §§ 58-31-10 et seq. ("the Enabling Act"), will be violated if the Authority is barred from setting and recovering rates from ratepayers which are sufficient to provide revenues necessary (i) to pay for construction and other costs associated with the V.C. Summer Nuclear Site, Units 2 and 3 ("the Project"), (ii) to make payments of principal

and interest on debt associated with the Project, and (iii) to satisfy other agreements with and obligations to debtholders.

3. Santee Cooper brings this action because the General Assembly mandates that Santee Cooper must recover revenues sufficient to provide for its costs and expenses, the conservation, maintenance, and operation of its facilities, the payment of principal and interest on bonds and other debt, and satisfaction of all obligations to debtholders—including the construction of the Project and principal and interest on debt instruments related thereto from its ratepayers. Claims by ratepayers and Santee Cooper's largest customer challenge Santee Cooper's ability to fulfill this statutory mandate and the legislative purposes embodied by its enabling legislation as amended from time to time.

4. The determination of the issue presented by this Complaint depends on the interpretation of certain provisions of the Enabling Act, including the following:

a. establishing Santee Cooper as fiscally self-sufficient and independent of the State of South Carolina and requiring that all of its projects must be financed as self-liquidating projects, S.C. Code Ann. § 58-31-30(A)(21);

b. authorizing Santee Cooper to set rates at a level at least sufficient to cover all expenses of the Authority, the conservation, maintenance, and operation of its facilities, and the payment of principal and interest on bonds and other forms of debt, and to fulfill its obligations to the holders of such debt, S.C. Code Ann. § 58-31-30(A)(13);

c. authorizing Santee Cooper to issue revenue bonds and other debt instruments and to secure the payment of the same with, among other things, a pledge or lien on its revenues, S.C. Code Ann. § 58-31-30(A)(14);

d. authorizing Santee Cooper to make covenants and other agreements with the debtholders, and to include such covenants, obligations, and agreements in resolutions authorizing issuance of debt and in the debt instruments themselves, S.C. Code Ann. § 58-31-30(A);

e. providing extensive remedies to debtholders, including the power to have a receiver appointed to conduct the business of the Authority and set and charge rates at least sufficient to pay the Authority's costs and expenses, the conservation, maintenance, and operation of its facilities, the payment of principal and interest on debt, and to fulfill obligations to debtholders, S.C. Code Ann. § 58-31-40;

f. making a covenant between the State of South Carolina and any person or entity who invests in bonds issued by the Authority or loans it funds, for the protection of such persons, that the State would do nothing to impair the Authority's power to set and collect rates at least sufficient to pay costs and expenses, the conservation, maintenance, and operation of its facilities, and the payment of principal and interest on debt, and to fulfill obligations to debtholders, S.C. Code Ann. § 58-31-360; and

g. making a covenant between the State of South Carolina and any person or entity who invests in bonds issued by the Authority or loans it funds, for the protection of such persons, that the State would not alter or limit the rights vested in the Authority until the debt instruments are fully met and discharged without making adequate provisions at law to protect those debtholders, S.C. Code Ann. § 58-31-30(21).

IRREPARABLE HARM

5. Santee Cooper is a defendant in a lawsuit filed by its own and other utilities' customers regarding the Project ("the Ratepayer Litigation"). In one of those cases, Central

Electric Power Cooperative, Inc. ("Central") and Palmetto Electric Cooperative, Inc. ("Palmetto"), have filed cross-claims against Santee Cooper. Central, Palmetto, and the ratepayer plaintiffs contend that the Enabling Act does not allow Santee Cooper to recover all of the Project's costs from ratepayers.

6. Despite these pending actions, the novel issue presented in this Complaint should be decided by this Court in the first instance because (a) the issue is one of substantial public interest, (b) the issue cannot be litigated in the first instance in the circuit court without material prejudice to Santee Cooper, and (c) not only Santee Cooper but also holders of debt issued by the Authority, and possibly the State of South Carolina, would be irreparably harmed.

7. The time required for litigation of the issue in the circuit court and the uncertainty attendant to such litigation have resulted and will continue to result in material, immediate prejudice to Santee Cooper. Other persons and the State of South Carolina would be materially prejudiced if the matter were litigated in the circuit court in the first instance.

8. Additionally, if the courts of the State of South Carolina were to take action to alter, limit, or restrict the ability of Santee Cooper to fix and collect rates at least sufficient to make payment of principal and interest on debt associated with the Project and satisfy its obligations to debtholders, the covenant made by the State in the Enabling Act would be violated.

THE LEGAL FOUNDATION FOR THE AUTHORITY'S REQUEST FOR RELIEF

9. The Authority is a body corporate and politic, created by Act of the General Assembly. S.C. Code Ann. § 58-31-10.

10. The Authority is a state agency.

11. The Authority does not have shareholders.

12. The Authority receives no state funds and operates entirely on the revenues from its operation. S.C. Code Ann. § 58-31-140.

13. Any and all projects undertaken by the Authority must be financed as self-liquidating projects. S.C. Code Ann. § 58-31-30(A)(21).

14. The Authority is authorized to set, maintain, and collect rates and charges for the use of its facilities, for services it renders, or for any commodities it furnishes. S.C. Code Ann. § 58-31-30(A)(13).

15. The rates and charges set, maintained, and collected by the Authority must be "at least sufficient [A] to provide for [i] payment of all expenses of the Public Service Authority, [ii] the conservation, maintenance, and operation of its facilities and properties, [iii] the payment of principal and interest on its notes, bonds, and other evidences of indebtedness or obligation, and [B] to fulfill the terms and provisions of any agreements made with the purchasers or holders of any such notes, bonds, or other evidences of indebtedness or obligation." *Id.*

16. These rates are set by the Authority through its Board of Directors. S.C. Code Ann. § 58-31-60.

17. Santee Cooper's Directors are required to act in a manner they reasonably believe to be in the best interests of Santee Cooper, which includes, among other things, preserving Santee Cooper's financial integrity, its ongoing operation of delivering electricity to its customers, and economic development and job attraction and retention. S.C. Code Ann. § 58-31-55(A).

18. The Authority is authorized to borrow money, make and issue negotiable notes, bonds, and other forms of debt. S.C. Code Ann. § 58-31-30(A)(14).

19. The Authority is authorized to secure the payment of obligations on notes, bonds, and other forms of debt by mortgage, lien, pledge, or deed of trust on any of its property, contracts, or revenues. S.C. Code Ann. § 58-31-30(A)(19).

20. The Authority is authorized to make such agreements with purchasers or holders of notes, bonds, and other forms of debt as it deems advisable and to provide for the security of these notes, bonds, and other forms of debt and the rights of the holders of this debt. S.C. Code Ann. § 58-31-30(A).

21. The Authority's resolutions authorizing notes, bonds, and other forms of debt may include provisions regarding rates and charges, reserves, rights of redemption, limitations on issuance of additional bonds, mortgages or deeds of trust, and any other or additional agreements with the holders of the notes, bonds, and other debts. *Id.*

22. For the protection of persons holding notes and other forms of debt and other obligations of the Authority, the State of South Carolina itself entered into two covenants with such persons.

23. In the first statutory covenant, the State promised that it will not alter or limit the rights vested in the Authority until the debt and other obligations issued by the Authority for the construction of any project are fully met and discharged, unless adequate provisions are made by law for the protection of such debtholders. S.C. Code Ann. § 58-31-30(A)(21).

24. In the second statutory covenant, the State promised that it will not alter, limit, or restrict the Authority's power to fix and collect rates and charges at least sufficient (a) to provide for (i) all expenses of the Authority, (ii) the conservation, maintenance, and operation of its facilities, (iii) the principal and interest on its debt, and (b) to fulfill other agreements made with the purchasers or holders of notes, bonds, and other forms of debt. S.C. Code Ann. § 58-31-360.

25. No amendment or repeal of the Enabling Act shall operate to impair the obligation of any contract made by the Authority under any power conferred by the Enabling Act. S.C. Code Ann. § 58-31-150; *accord* S.C. CONST. art. I, § 4 ("No . . . law impairing the obligation of contracts . . . shall be passed . . . ."); U.S. CONST. art. I, § 10 ("No State shall . . . pass any . . . Law impairing the Obligation of Contracts . . . .").

26. Santee Cooper's Enabling Act provides rights and protections to debtholders that are not provided to customers.

27. In summary, the Enabling Act, as originally enacted and amended over the course of decades, expresses the legislative intent that the Authority must ensure that its projects are self-liquidating by setting rates and charges for the services it provides at a level at least sufficient to pay all of its costs and expenses, the conservation, maintenance, and operation of its facilities, payments of principal and interest on its debt, and to satisfy all obligations to bondholders and others holding notes and other forms of debt. Santee Cooper is required to raise revenues to satisfy these obligations from rates and charges to its ratepayers. If the State of South Carolina were to impair or restrict the Authority's ability to do so, it would violate the covenant the State made with debtholders as stated in the Enabling Act and render the State of South Carolina liable to Santee Cooper's debtholders.

THE PARTIES AND THE COURT'S JURISDICTION

28. The Authority brings this action pursuant to Article V, Section 5 of the South Carolina Constitution, Section 14-3-310 of the South Carolina Code, the South Carolina Uniform Declaratory Judgment Act, S.C. Code Ann. § 15-31-10 et seq., and Rule 245 of the South Carolina Appellate Court Rules.

29. This Court's original jurisdiction includes the power to issue writs and orders, including orders of injunction, quo warranto, prohibition, certiorari, habeas corpus, and other original and remedial writs. This action, which seeks an injunction, falls squarely within the Court's original jurisdiction.

30. The Authority has endeavored to name as parties those persons whose interests are directly affected by this Complaint, including plaintiffs in the Ratepayer Litigation who have sued Santee Cooper, Central, and Palmetto.

31. The Authority is a body corporate and politic created by Act of the South Carolina General Assembly as an agency of the State.

32. Central has sued the Authority in the Ratepayer Litigation. Central is a corporation with its principal place of business in South Carolina.

33. Palmetto has sued the Authority in the Ratepayer Litigation. Palmetto is a corporation with its principal place of business in South Carolina.

34. Jessica S. Cook has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Cook is a resident of South Carolina.

35. Corrin F. Bowers & Son have sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Bowers and Son are residents of South Carolina.

36. Cyril B. Rush, Jr. has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Rush is a resident of South Carolina.

37. Bobby Bostick has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Bostick is a resident of South Carolina.

38. Kyle Cook has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Cook is a resident of South Carolina.

39. Donna Jenkins has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Jenkins is a resident of South Carolina.

40. Chris Kolbe has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Kolbe is a resident of South Carolina.

41. Ruth Ann Keffer has sued the Authority on behalf of a putative class of ratepayers in the Ratepayer Litigation. Upon information and belief, Keffer is a resident of South Carolina.

FACTS

42. On July 31, 2017, Santee Cooper's Board of Directors voted to suspend the construction of the Project.

43. Prior to that date, the Authority had incurred costs and expenses in the construction of the Project, and in connection with the Project and its other endeavors, the Authority had incurred debt, as represented by bonds and other debt instruments issued by the Authority from time to time.

44. On April 26, 1999, pursuant to the authority granted by the Enabling Act, the Authority's Board of Directors adopted a Master Revenue Obligation Resolution.

45. The Master Revenue Obligation Resolution established the general terms and conditions upon which its revenue obligations may be issued for corporate purposes of the Authority.

46. The Authority financed approximately $4.2 billion for construction from the proceeds of debt, including bonds, issued from 2008 through 2016.

47. The debt instruments were issued pursuant to the authority granted by the Enabling Act.

48. Among the agreements made with debtholders is the Authority's covenant to set and collect rates and charges at least sufficient to raise revenues to make payments of principal and interest on the debt. The Authority further agreed that if for any reason it failed to set and collect rates sufficient to make these payments, then whether the Authority had defaulted on the bonds or not, the debtholders could resort to the courts of South Carolina for an order requiring the Authority to set rates at a sufficient level.

49. The lawsuits and cross-claims filed by customers, Central, and Palmetto seek to require the courts of the State of South Carolina to alter, limit, or restrict the Authority's ability to set rates sufficient to pay the costs and expenses of the Project, the conservation, maintenance, and operation of its facilities, payment of principal and interest on bonds and other forms of debt associated with the Project, and fulfill its obligations to and agreements with debtholders.

50. On May 22, 2018, Central filed a motion seeking leave to deposit the funds it pays to Santee Cooper attributable to the Project into the Court. Central contends, among other things, that it is not obligated to pay these sums directly to Santee Cooper because Santee Cooper is not entitled to recover the funds under the Enabling Act.

51. Central's motion attempts to contradict or avoid the statutory obligations placed upon Santee Cooper as to ratemaking and further warrants the Court accepting this action and enjoining further efforts to contravene the Enabling Act.

52. If the lawsuits were to continue without the issue herein presented being decided in this Court's original jurisdiction, the Authority would suffer immediate, substantial, and irreparable harm, including adverse reactions by financial markets, threats to its ability to raise

capital through borrowing, potential actions by debtholders, and the threat of bankruptcy or receivership.

REQUEST FOR RELIEF

53. The Authority respectfully requests that this Court confirm the clearly expressed legislative intent and declare that pursuant to the Enabling Act, the Authority must raise revenues from its customers through rates and charges 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 bonds and other indebtedness, and to fulfill all agreements with and obligations to debtholders and others—including those related to the Project.

54. The Authority respectfully requests that this Court give effect to this declaratory relief by enjoining any of the defendants or any other similarly situated person from resorting to the courts to alter, limit, or restrict the Authority's ability to establish rates and charges 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 bonds and other indebtedness, and to fulfill all agreements with and obligations to debtholders and others—including those related to the Project.

55. The Authority respectfully requests that this Court grant such further relief as it deems just and proper.

WHEREFORE, the Authority prays this Court accept this Complaint in its original jurisdiction and:

A. Declare that the Authority must raise revenues from its customers through rates and charges 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 bonds and other indebtedness, and

to fulfill all agreements with and obligations to debtholders and others, including those related to the Project;

B. Enjoin the defendants and any other similarly situated person from resorting to the courts of South Carolina to alter, limit, or restrict the Authority's ability to establish rates and charges 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 bonds and other indebtedness, and to fulfill all agreements with and obligations to debtholders and others, including those related to the Project;

C. Grant such other relief as the Court deems just and proper.

[*signature page attached*]

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6/25, 2018

Exhibit B

Master Resolution

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

MASTER REVENUE OBLIGATION RESOLUTION

ADOPTED APRIL 26, 1999

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

MASTER REVENUE OBLIGATION RESOLUTION

ADOPTED APRIL 26, 1999

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RESOLUTION

RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ESTABLISHING THE GENERAL TERMS AND CONDITIONS UPON WHICH ITS REVENUE OBLIGATIONS MAY BE ISSUED FOR CORPORATE PURPOSES OF THE AUTHORITY.

BE IT RESOLVED by the Board of Directors of South Carolina Public Service Authority as follows:

ARTICLE I

DEFINITIONS; FINDINGS AND DETERMINATIONS

SECTION 1.1. Definitions. As used in this Resolution, unless the context shall clearly indicate otherwise, the following words and phrases shall have the meanings hereinafter set forth:

(a) "Authority" shall mean South Carolina Public Service Authority created and established pursuant to the provisions of the Enabling Act, or the authority, board, body, commission or agency succeeding to the principal functions thereof or to whom the powers and duties granted or imposed by this Resolution shall be given by any law.

(b) "Capital Costs" means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Authority (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any project; (iii) the acquisition of any other property (tangible or intangible), capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Enabling Act or under other applicable State statutory provisions (whether or not also classifiable as an operating expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of (a) any Obligations, Original Bonds, Revenue Bonds, Commercial Paper or other indebtedness issued by the Authority for the payment of any of the costs specified above, including capitalized interest on such indebtedness, or (b) any indebtedness issued by the Authority to refund any indebtedness described in the preceding clause (a).

(c) "Capital Improvement Fund" shall mean the fund by that name created by the Indenture and continued by Section 5.3 of the Revenue Bond Resolution and, so long as any Obligations are Outstanding, by Section 5.2 of this Resolution.

(d) "Commercial Paper" shall mean, collectively, the Authority's Notes and Revolving Credit Notes, as such terms are defined in the Commercial Paper Resolution.

(e) "Commercial Paper Resolution" shall mean that resolution of the Authority adopted on June 29, 1998 and entitled: RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY AUTHORIZING THE ISSUANCE OF NOT EXCEEDING FIVE HUNDRED MILLION DOLLARS ($500,000,000) AGGREGATE PRINCIPAL AMOUNT AT ANY ONE TIME OUTSTANDING OF REVENUE PROMISSORY NOTES OF THE AUTHORITY; AUTHORIZING THE ISSUANCE OF REVOLVING CREDIT NOTES IN AN AMOUNT NOT EXCEEDING FIVE HUNDRED MILLION DOLLARS ($500,000,000) IN AGGREGATE PRINCIPAL AMOUNT AT ANY ONE TIME OUTSTANDING IN CONNECTION THEREWITH; PRESCRIBING THE FORM OF THE NOTES AND THE REVOLVING CREDIT NOTES; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS WITH RESPECT THERETO; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING, and as from time to time heretofore and hereafter amended, supplemented or superseded.

(f) "Enabling Act" shall mean Act No. 887 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1934, codified as Title 58, Chapter 31 of the Code of Laws of South Carolina 1976, as amended, and acts supplementary thereto or amendatory thereof.

(g) "Event of Default" shall have the meaning set forth in Section 10.1 of this Resolution.

(h) "Fiscal Year" shall mean the twelve month period beginning January 1 and ending December 31 or such other consecutive twelve month period determined from time to time by resolution of the Board of Directors of the Authority to be its fiscal year.

(i) "Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

(j) "Indenture" shall mean the Trust Indenture dated as of July 1, 1949, as amended by an Amendatory Indenture dated as of January 22, 1951, a Second Amendatory Indenture dated as of January 1, 1967, and a Third Amendatory Indenture dated as of October 1, 1970, and as supplemented by a Supplemental Indenture dated as of January 1, 1950, a Second Supplemental Indenture dated as of July 1, 1950, a Third Supplemental Indenture dated as of January 1, 1967, and a Fourth Supplemental Indenture dated as of April 1, 1973, by and between the Authority and The South Carolina National Bank of Charleston, whose successor in trust is First Union National Bank,

as Trustee, pursuant to which the Original Bonds have been issued and are secured, and as from time to time hereafter amended or supplemented.

(k) "Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of South Carolina for the moneys held hereunder then proposed to be invested therein: (1) Government Obligations; (2) certificates which evidence ownership of the rights to payment of the principal of or interest on Government Obligations; (3) bonds, debentures, notes or participation certificates issued by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, Federal Land Bank, the Federal National Mortgage Association, the Tennessee Valley Authority, or any other agency or corporation which is or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof; (4) obligations of state and local government municipal bond issuers, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of non-callable obligations described in (1), (2), or (3) of this subparagraph (k), the maturing principal of and interest on which when due and payable, shall provide sufficient funds to pay the principal of and interest on such obligations of state and local government municipal bond issuers (5) Public Housing Bonds, or Project Notes, fully secured by contracts with the United States; (6) repurchase agreements with banks that are members of the federal reserve system or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by securities described in (1) and (3) above having a current market value at least equal to one hundred two per cent (102%) of the amount of the repurchase agreement; (7) obligations of the State of South Carolina, (8) obligations of other states and investment contracts which obligations or investment contracts are rated at the time of purchase by each Rating Agency in one of the three highest Rating Categories of such Rating Agency; (9) deposits in interest bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association (including the Trustee), which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Government Obligations having a current market value (exclusive of accrued interest) at least equal to one hundred five per cent (105%) of the amount of such deposits, which Government Obligations shall have been deposited in trust by such bank or national association with the trust department of the Trustee or with a federal reserve bank or branch or, with the written approval of the Authority and the Trustee, with another bank, trust company or national banking association for the benefit of the Authority and the appropriate fund or account as collateral security for such deposits; (10) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by a Rating Agency in one of its three highest Rating Categories for comparable types of obligations; and (11) such other investments from time to time allowed under applicable law.

(l) "Lease Fund" shall mean the fund by that name confirmed pursuant to the provisions of Section 5.4 of the Revenue Bond Resolution and by Section 5.4 of this Resolution.

(m) "Lease Obligations" shall mean the amounts from time to time required to be paid into the Lease Fund pursuant to the provisions of Section 5.4 of the Revenue Bond Resolution and Section 5.4 of this Resolution.

(n) "Obligations" means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including but not limited to bonds, notes, bond anticipation notes, and Qualified Swaps, which are delivered under this Resolution.

(o) "Operation and Maintenance Expenses" shall mean the Authority's expenses of operating the System, including but not limited to all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering, transportation, administration and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, of the Authority applicable to the System, as recorded on its books pursuant to generally accepted accounting principles, subject to the limitations with respect to take or pay contracts as provided in Section 2.6 of this Resolution. Operation and Maintenance Expenses shall not include (1) any costs or expenses for new construction, (2) charges for depreciation, (3) voluntary payments in lieu of taxes or (4) any taxes or tax payments now or hereafter required to be made to the State or any political subdivisions only out of surplus revenues, for example, payments required by Code Sections 58-31-90, 58-31-100 (2) and (3), and 58-31-110, Code of Laws of South Carolina 1976.

(p) "Original Bonds" shall mean the bonds issued pursuant to the provisions of the Indenture and Outstanding as of the date of adoption of this Resolution and hereafter from time to time.

(q) "Outstanding", when used with reference to the Obligations, shall mean, as of any date, Obligations issued pursuant to this Resolution, except: (1) any Obligations cancelled or paid at or prior to such date; (2) Obligations in lieu of or in substitution for which other Obligations have been delivered pursuant to this Resolution; and (3) Obligations the payment of the principal of and interest on which has been made or provided for in compliance with Article XIII of this Resolution so as to cancel the lien of this Resolution with respect thereto.

"Outstanding", when used with reference to the Revenue Bonds, shall mean, as of any date, Revenue Bonds issued pursuant to the Revenue Bond Resolution, except: (1) any Revenue Bonds cancelled or paid at or prior to such date; (2) Revenue Bonds in lieu of or in substitution for which other Revenue Bonds have been delivered pursuant to the Revenue Bond Resolution; and (3) Revenue Bonds the payment of the principal of and interest on which has been made or provided for in compliance with Article XIII of the Revenue Bond Resolution so as to cancel the lien of the Revenue Bond Resolution with respect thereto.

"Outstanding", when used with reference to Original Bonds, shall mean, as of any date, Original Bonds issued pursuant to the provisions of the Indenture, except (1) Original Bonds theretofore paid by the Authority at or prior to such date or delivered to the Trustee under the Indenture for cancellation or cremation, and (2) Original Bonds the payment of the principal of and interest on which has been made or provided for in compliance with Section 12.04 of the Indenture so as to cancel the lien of the Indenture with respect thereto.

(r) "Owner or holder" shall mean any person who shall be the registered owner of any Obligation, or his duly authorized attorney in fact, representative or assigns.

(s) "Paying Agent" or "Paying Agents" shall mean, for each series of Obligations under and pursuant to this Resolution, the paying agent or paying agents appointed pursuant to Section 7.3 of this Resolution.

(t) "Permitted Investments" shall mean the obligations referred to in (1), (2), (3) and (4) of the definition of the term "Investment Securities" in this Section 1.1 of this Resolution.

(u) "Principal and Interest Requirements" with respect to any indebtedness shall mean the amount required to pay principal of (whether at maturity or pursuant to mandatory redemption requirements applicable thereto), redemption premium, if any, and interest (exclusive of funded interest) on such indebtedness during the period of time for which Principal and Interest Requirements are being calculated.

(v) "Qualified Swap" means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Obligations.

(w) "Qualified Swap Provider" means an entity whose senior long term obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower rating categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

(x) "Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

(y) "Rating Category" means a general Rating Category of an applicable Rating Agency or nationally recognized statistical rating organization without regard to any refinement or graduation of such rating by a numerical modifier or otherwise.

(z) "Registrar" shall mean the Trustee acting as registrar for the Obligations.

(aa) "Resolution" shall mean this Resolution, as the same may be amended and supplemented from time to time, and unless the context shall clearly indicate otherwise, shall include all Series Resolutions and Supplemental Resolutions.

(bb) "Revenue Bond" or "Revenue Bonds" shall mean any bond, note or other obligations, some of the bonds, notes or other obligations or all of the bonds, notes or other obligations at any time Outstanding under and pursuant to the Revenue Bond Resolution.

(cc) "Revenue Bond Fund" shall mean the fund by that name created and established pursuant to the provisions of Section 6.1 of the Revenue Bond Resolution, including the accounts therein.

(dd) "Revenue Bond Resolution" shall mean that resolution of the Authority adopted on August 27, 1990 and entitled: RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ESTABLISHING THE GENERAL TERMS AND CONDITIONS UPON WHICH ITS REVENUE BONDS MAY BE ISSUED FOR CORPORATE PURPOSES OF THE AUTHORITY; PRESCRIBING THE FORM OF THE REVENUE BONDS; PRESCRIBING THE LIMITATIONS ON AND CONDITIONS OF ISSUANCE OF THE REVENUE BONDS; PROVIDING FOR THE DETAILS OF THE REVENUE BONDS; COVENANTING AS TO CERTAIN OF THE REVENUES DERIVED FROM THE AUTHORITY'S SYSTEM; PLEDGING CERTAIN OF THE REVENUES TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE REVENUE BONDS; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING, and as from time to time heretofore and hereafter amended or supplemented.

(ee) "Revenue Fund" shall mean the fund by that name created and established pursuant to the provisions of Section 5.02 of the Indenture and continued so long as any Obligations are Outstanding by Section 5.1 of this Resolution.

(ff) "Revenue Obligation Fund" shall mean the fund by that name created and established pursuant to the provisions of Section 6.1 of this Resolution.

(gg) "Revenues" shall mean, so long as any of the Original Bonds are Outstanding, all of the revenues, income, profits, tolls, rents, charges and returns of the Authority from whatever source derived exclusive of (1) proceeds realized from the sale of properties pursuant to the provisions of Section 12.01 of the Indenture and of Section 8.4 of the Revenue Bond Resolution and (2) customer deposits. After the Original Bonds are no longer Outstanding, "Revenues" shall mean all the revenues, income, profits, tolls, rents, charges and returns of the Authority derived

from its ownership or operation of the System, including the proceeds of any insurance covering business interruption loss relating to the System, but excluding other insurance proceeds and proceeds realized from the sale of properties of the System pursuant to the provisions of Section 8.4 of the Revenue Bond Resolution and customer deposits.

(hh) "Senior Debt" shall mean the aggregate of Original Bonds and Revenue Bonds from time to time Outstanding.

(ii) "Series Resolution" shall mean a resolution adopted hereunder providing for the issuance of a series of Obligations pursuant to the provisions of Section 2.3 of this Resolution.

(jj) "Supplemental Resolution" shall mean any resolution amending or supplementing this Resolution as originally adopted, adopted under and pursuant to the provisions of Sections 9.1 or 9.2 of this Resolution.

(kk) "System" shall mean (1) all the property, real, personal and mixed, owned or operated by the Authority for the purpose of acquiring, controlling, storing, preserving, treating, distributing and selling water for navigation, power, irrigation, reclamation, or sale to residential, commercial, agricultural or industrial customers or other governmental entities, and plants, works, structures, facilities and equipment for the generation, manufacture, transmission or distribution of water power and electric power and energy, and of any other forms of power and energy when authorized by the Enabling Act; (2) all replacements, renewals, improvements, additions and extensions thereof or thereto; and (3) all power and energy generating, transmission and distribution properties, real, personal and mixed, at any time owned, constructed, leased, acquired or in process of acquisition by the Authority, and any incidental properties acquired or leased in connection therewith; but shall not include separate projects established by the Authority for any corporate purpose of the Authority other than those projects and purposes described hereinabove in this paragraph (kk), and after the Original Bonds are no longer Outstanding, shall not include (i) any facilities for the purpose of providing water for sale to residential, commercial, agricultural or industrial customers or other governmental entities, or (ii) any facilities for the generation of any form of power and energy, or for the transmission and distribution of any form of power and energy, and any incidental properties constructed, acquired or leased in connection therewith, constructed or acquired by the Authority as a separate system, and if constructed or acquired with the proceeds of the sale of bonds or other evidences of indebtedness, which bonds or other evidences of indebtedness, after no Original Bonds are Outstanding, are payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, and may be further secured by a junior and subordinate pledge described in Section 2.4 of this Resolution, of the Revenues and payable therefrom, but only after the revenues and other income derived from the ownership or operation of such separate utility system and pledged to the payment of such bonds or other indebtedness are so applied in accordance with the proceedings providing for the issuance of such bonds or other indebtedness.

(ll) "Trustee" shall mean the trustee to be appointed pursuant to a resolution adopted by the Board of Directors of the Authority, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Resolution.

(mm) "Trustee under the Indenture" or words of like import shall mean First Union National Bank and any successor or assign of such bank appointed pursuant to the Indenture as the Trustee for the Original Bonds.

SECTION 1.2. Findings and Determinations. The Authority hereby finds and determines that:

(a) South Carolina Public Service Authority, a body corporate and politic, duly organized and existing under and by virtue of the laws of the State of South Carolina, has been created and organized pursuant to the provisions of the Enabling Act, to carry out the purposes set forth in the Enabling Act.

(b) Pursuant to the provisions of the Enabling Act, the Authority is authorized and empowered, among other things, to build, construct, maintain and operate canals, dams, locks, aqueducts, reservoirs and navigation facilities and to build, acquire, construct and maintain power houses and any and all structures, ways and means necessary, useful or customarily used and employed in the manufacture, generation, distribution and sale of electric power, including power transmission lines, poles, telephone lines, substations, transformers and generally all things used or useful in the manufacture, distribution, purchase and sale of power generated by water, steam or otherwise; to acquire, treat, distribute and sell, subject to the limitations of the Enabling Act, water at wholesale; to acquire, operate and maintain, subject to the limitations of the Enabling Act, facilities for the treatment and distribution of water for industrial, commercial, domestic or agricultural purposes; and to construct, maintain and operate the System, as more fully set out in the Enabling Act.

(c) Pursuant to the provisions of the Enabling Act, the Authority is further authorized and empowered to borrow money and make and issue its negotiable bonds, notes and other evidences of indebtedness, at public or private sale, including refunding and advance refunding bonds, notes and other evidences of indebtedness, and to secure the payment of such obligations by pledge of its revenues; to make such agreements with the purchasers or holders of such bonds, notes or other evidences of indebtedness, or with others in connection therewith as the Authority shall deem advisable; to fix, alter, charge or collect tolls and other charges for the use of the facilities of, or for the services rendered by or for any commodities furnished by, the Authority, at rates to be determined by it, such rates to be at least sufficient to provide payment of all expenses of the Authority, the conservation, maintenance and operation of its facilities and properties, the principal of and interest on all its notes, bonds and other evidences of indebtedness and to fulfill the terms and provisions of any agreements made with the purchasers or holders of such bonds, notes or other evidences of indebtedness.

(d) The Authority has heretofore executed and delivered the Indenture to The South Carolina National Bank of Charleston, whose successor in trust is First Union National Bank, as Trustee, providing for the issuance of obligations of the Authority.

(e) Pursuant to the provisions of the Indenture the Authority has authorized and issued Original Bonds.

(f) The Authority has covenanted and agreed with the holders of the Outstanding Original Bonds that it will not issue any bonds pursuant to the provisions of the Indenture pari passu with the Original Bonds theretofore issued by the Authority and Outstanding, except for bonds issued for the purpose of paying the cost of refunding prior to maturity bonds issued and Outstanding pursuant to the provisions of the Indenture, including amounts to pay principal, redemption premium, and interest to the redemption date and other costs of refunding such bonds.

(g) Pursuant to the provisions of the Indenture the Authority may for any corporate purpose from time to time issue bonds, notes or other evidences of indebtedness or incur other obligations, including, without limiting the generality of the foregoing, obligations under leases of electric generating, transmission or distribution facilities, which shall be junior in all respects to the bonds issued pursuant to the provisions of the Indenture and may create such separate or special funds and accounts, with such trustees or custodians, as may be considered by the Authority to be necessary or advisable to provide for the payment of the principal of, premium, if any, and interest on such bonds, notes or other evidences of indebtedness and to provide reserves therefor, and to provide for the payment of such other obligations, including the Authority's obligations under any such leases.

(h) The Authority pursuant to the provisions of the Revenue Bond Resolution has authorized and issued Revenue Bonds which are junior and subordinate in all respects to the Original Bonds.

(i) Pursuant to the provisions of the Revenue Bond Resolution the Authority may for any corporate purpose from time to time issue bonds, notes, bond anticipation notes, warrants, certificates or other obligations or evidences of indebtedness the payment of the principal of and interest and premium, if any, on which shall be made from the proceeds of bonds or other evidences of indebtedness of the Authority or from the Revenues or other funds of the Authority, and to the extent payable from the Revenues, shall be made junior and subordinate to the payment of the principal and interest on the bonds issued pursuant to the provisions of the Indenture and the Revenue Bond Resolution.

(j) The Authority has determined that it is in the interests of the public to provide for the issuance of Obligations of the Authority hereinafter described and provided for any corporate purposes of the Authority, such Obligations to be junior and subordinate in all respects to the Senior Debt.

(k) Nothing in this Resolution impairs the right of the holders of the Original Bonds and Revenue Bonds to the payment of their obligations in accordance with the Indenture and the Revenue Bond Resolution, respectively, nor the validity or enforcement of any undertaking, obligation or covenant of the Authority under the Indenture and the Revenue Bond Resolution, respectively.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF REVENUE OBLIGATIONS

SECTION 2.1. Revenue Obligations; Purpose; Security. There is hereby created and established an issue of obligations of the Authority (herein defined and referred to as the "Obligations"), unlimited in amount, to be known and designated as "South Carolina Public Service Authority Revenue Obligations", for any corporate purposes of the Authority. The Obligations may be issued in series pursuant and subject to the terms, conditions and limitations of this Resolution in such amounts and from time to time as may be determined by the Authority.

The principal of and interest and premium, if any, on the Obligations shall be payable solely from the Revenues and other moneys pledged in this Resolution to the payment thereof and shall be secured by a lien and charge on the Revenues and the moneys in the Revenue Fund, which lien or charge,

(a) whether or not any other Senior Debt is Outstanding, so long as any Original Bonds are Outstanding, shall be junior, subordinate and inferior to the lien and charge on the Revenues and the moneys in the Revenue Fund for the payments required to be made by the Indenture into the Operating Fund, Interest Fund, Bond Fund and Debt Service Reserve Fund created pursuant to the provisions of the Indenture; and

(b) whether or not any other Senior Debt is Outstanding, so long as any Revenue Bonds are Outstanding, shall be junior, subordinate and inferior to the lien and charge on the Revenues and the moneys in the Revenue Fund for the payments required to be made from the Revenues and the moneys in the Revenue Fund by the Revenue Bond Resolution into the Revenue Bond Fund, and the accounts therein;

but which lien or charge, in any event, shall be senior and paramount to the payments into the Lease Fund, Contingency Fund, Capital Improvement Fund and the Special Reserve Fund created pursuant to the provisions of the Indenture, and required to be made thereunder, to the payments into the Capital Improvement Fund created pursuant to the provisions of the Indenture required to be made by the Revenue Bond Resolution, and to the pledge of Revenues securing the Commercial Paper.

The Obligations shall not be obligations of the State of South Carolina, or of any of its political subdivisions, nor shall such State be legally, equitably or morally liable for the payment of

principal of and interest and premium, if any, on the Obligations. The Obligations constitute indebtedness for a public purpose payable solely from a revenue-producing project or from a special source, which source does not involve revenues from any tax, and each Obligation shall so state upon its face.

The pledge of Revenues and all other covenants and agreements herein set forth to be performed by the Authority shall be for the equal and proportionate benefit, security and protection of all holders of the Obligations without preference, priority or distinction as to payment or security or otherwise (except as to maturity and mandatory redemption requirements applicable thereto, if any, which may be established for the Obligations of any series authorized hereunder) of any of the Obligations over any of the others by reason of series, date, number, date of execution, payment of interest by accretion, time of issue, manner of sale or otherwise for any cause whatsoever, except as expressly provided therein or herein, and all Obligations shall rank pari passu and shall be secured equally and ratably without discrimination or preference whatsoever.

The validity of Obligations shall neither be dependent on the validity or regularity nor affected by the invalidity or irregularity of any proceedings relating to the acquisition, purchase, construction, reconstruction, addition, expansion, improvement, betterment, extension, renewal or replacement of the System.

SECTION 2.2. Description of Obligations; Series Resolutions; Appointment of Paying Agents.

(a) Each series of Obligations shall be authorized by a Series Resolution of the Authority, and shall be dated, numbered and bear interest, which may be fixed or variable and which may or may not be exempt from state and federal income taxes, as shall be prescribed in the Series Resolution providing for the issuance thereof. The Series Resolution authorizing the issuance of each series of Obligations may also provide that the Obligations of such series shall be redeemable prior to their respective maturities at the option of the Authority at such time or times and upon such terms and conditions as the Authority may prescribe. The Obligations shall be payable with respect to principal, premium, if any, and interest in legal tender for the payment of public and private debts; shall be in the form and denomination(s) prescribed by the applicable Series Resolution, shall mature on such dates, in such years and in such amounts as provided for by the Series Resolution providing for the issuance thereof; and may be, without limitation, coupon bonds, fully registered bonds, serial bonds, term bonds, variable rate indebtedness, capital appreciation bonds, zero coupon bonds, or such other form as determined by such Series Resolution. The Obligations may be sold at public or private sale.

(b) The Series Resolution or Resolutions shall contain an appropriate series designation, shall specify the authorized principal amount of such series of Obligations and the purpose for which the Obligations of such series are being issued, shall provide that the interest on such series of Obligations shall be payable on the Interest Payment Dates specified in such Series Resolution, shall provide that the principal payments, whether at maturity or mandatory redemption, shall be payable on such date as is specified in the Series Resolution. Each Series Resolution shall appoint

a Paying Agent or Paying Agents for the Obligations authorized thereby and shall provide for the deposit and disbursement of the proceeds of Obligations as the Board of Directors of the Authority shall deem appropriate. Such Series Resolution shall specify such other provisions, including, without limitation, provisions for mandatory as optional tender for purchase, as may be required or permitted to be set forth therein by the provisions of this Resolution, and not inconsistent or in conflict with the provisions hereof, as may be deemed necessary or advisable by the Authority.

SECTION 2.3. Authorization of Obligations. At any time one or more series of Obligations may be issued hereunder for any corporate purpose of the Authority, including without limitation the refunding or purchase of Obligations, Revenue Bonds, Original Bonds, or Commercial Paper, upon compliance with the requirements, conditions and limitations of Section 2.2 and this Section 2.3, and such Obligations when issued in accordance with this Resolution shall constitute "Obligations" hereunder for all purposes of this Resolution.

(a) Prior to the issuance, sale and delivery of any Obligations the Authority shall obtain and file with the Trustee a certificate of the Chairman of the Authority stating that the Authority is not in default under any provisions of this Resolution, and so long as any of the Original Bonds are Outstanding, the Indenture; and so long as any Revenue Bonds are Outstanding, the Revenue Bond Resolution.

SECTION 2.4. Covenant Against Issuing Prior Obligations or Parity Obligations; Limitation on Issuance of Revenue Bonds and Incurring Lease Obligations.

Except to the extent permitted in Section 8.1 of the Revenue Bond Resolution for the issuance of bonds under the Indenture for the purpose of paying the cost of purchasing or refunding the Original Bonds prior to maturity, and to the extent permitted in Section 8.1, infra, for the issuance of bonds under the Revenue Bond Resolution for the purpose of paying the cost of purchasing or refunding Revenue Bonds prior to maturity, from and after the effective date of this Resolution and for so long as any Obligations are Outstanding, the Authority will not create or permit the creation of, or issue any bonds, notices, warrants, certificates or other obligations or evidences of indebtedness, payable in any manner from the Revenues or from the Revenue Fund, or from any other moneys held hereunder, which (1) will in any way be superior to the Obligations, or (2) will in any way be secured by a lien and charge on the Revenues, on the moneys deposited in or to be deposited in the Revenue Fund, or on any other moneys pledged and charged herein, prior to or equal with the lien and charge created herein for the security of the Obligations, or (3) will be payable prior to or equal with the payments to be made from the Revenues and the Revenue Fund into the Revenue Obligation Fund and from the Revenue Obligation Fund for the payment of the Obligations.

SECTION 2.5. Junior Lien or Inferior Obligations Not Prohibited.

(a) Nothing in this Resolution, and particularly nothing in this Article II, shall prevent the Authority from authorizing and issuing bonds, notes, bond anticipation notes, warrants, certificates

or other obligations or evidences of indebtedness (1) the payment of the principal of and interest and premium (if any) on which shall be made from the proceeds of Obligations or other evidences of indebtedness of the Authority, or from the Revenues or the moneys in the Revenue Fund, or from any other special fund to be maintained from the Revenues, and if payable from the Revenues or the moneys in the Revenue Fund or from any such other special fund, the payments from the Revenues or the moneys in the Revenue Fund or from such other special fund shall be made junior and subordinate to the payment of the principal of and interest on the Original Bonds, the Revenue Bonds, and the Obligations and the payments, deposits and credits required, so long as any Original Bonds are Outstanding, by the provisions of Sections 5.03, 5.04, 5.05, 5.06, and 5.07 of the Indenture; so long as any Revenue Bonds are Outstanding, by Section 6.1 of the Revenue Bond Resolution; and so long as any Obligations are Outstanding, by Section 6.1 of this Resolution; and (2) which are secured as to principal, interest and redemption premium (if any), or if payable from another special fund (as aforesaid) the payments into which other special funds are secured, by a lien and charge on the Revenues and the moneys in the Revenue Fund junior, subordinate and inferior to the lien and charge of the Original Bonds, the Revenue Bonds, and the Obligations.

(b) Provided, always, that the junior and subordinate obligations comply with the conditions of subsection (a) of this Section 2.4, the payments from the Revenues and from the Revenue Fund securing the junior and subordinate obligations may, if the Authority so provides, but need not be, junior and inferior to (1) the payments to be made from the Revenues or the Revenue Fund into the Lease Fund, the Capital Improvement Fund, the Contingency Fund created by the Indenture, and the Special Reserve Fund created by the Indenture, or into any one or more of such funds, from time to time, and (2) Revenues to be retained in the Revenue Fund or payments to be made from the Revenues or the Revenue Fund to cover Operation and Maintenance Expenses.

SECTION 2.6. Separate System Bonds. Nothing in this Resolution shall prevent the Authority from authorizing and issuing bonds, notes or other evidences of indebtedness, to acquire or construct (1) facilities for the purpose of providing water for sale to residential, commercial, agricultural or industrial customers or other governmental entities; and (2) facilities for the generation of any form of power and energy, or for the transmission and distribution of any form of power and energy, and any incidental properties to be constructed, acquired or leased in connection therewith, which facilities, after no Original Bonds are Outstanding, shall be a separate utility system and which bonds, or other obligations or evidences of indebtedness, after no Original Bonds are Outstanding, shall be payable solely from the revenues and other income derived from the ownership and operation of such separate utility system, but may be further secured by a junior and subordinate pledge described in Section 2.4, supra, of the Revenues and payable therefrom but only after the revenues or other income derived from the ownership or operation of such separate utility system and pledged to the payment of such bonds or other indebtedness are so applied in accordance with the proceedings providing for the issuance of such bonds or other indebtedness.

SECTION 2.7. Take or Pay Contracts. Nothing in this Resolution shall prevent the Authority from entering into a take or pay contract (including a take or pay contract with a separate system described in Section 2.5 of this Resolution) to purchase power under conditions whereby payments the Authority is required to make may be calculated, in whole or in part, on the basis of

power which the Authority does not purchase, require or obtain for whatever reason; provided, however that payments made by the Authority under such a take or pay contract for power not available for any reason other than an emergency or forced outage lasting not more than one year or normal and regularly scheduled maintenance outage may not be treated as Operation and Maintenance Expenses.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF OBLIGATIONS

SECTION 3.1. Execution of Obligations. Unless or except as otherwise provided in the Series Resolution providing for the issuance thereof, all Obligations shall be executed on behalf of the Authority with the manual or facsimile signature of the Chairman or Vice Chairman of the Board of Directors thereunto duly authorized, and a facsimile of the corporate seal of the Authority shall be imprinted on each of the Obligations attested with the manual or facsimile signature of the Corporate Secretary or Assistant Corporate Secretary thereof. In case any officer whose signature or facsimile thereof shall appear on any Obligation shall cease to be such officer before the delivery of such Obligations, such signature or such facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if such officer or officers had remained in office until the delivery of such Obligations.

SECTION 3.2. Authentication. Upon compliance with the provisions of Section 3.1 of this Resolution, and upon the order of the Authority, the Registrar shall authenticate Obligations authorized to be issued hereunder. Only such Obligations as shall have endorsed thereon a certificate of authentication duly executed manually by the Registrar shall be entitled to any right or benefit under this Resolution. No Obligation shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such executed certificate of the Registrar upon any such Obligation shall be conclusive evidence that such Obligation has been authenticated and delivered. The Registrar's certificate of authentication on any Obligation shall be deemed to have been executed by it if signed by an authorized officer of the Registrar, but it shall not be necessary that the same person sign the certificate of authentication on all of the Obligations issued hereunder or on all of the Obligations of a particular series.

SECTION 3.3. Obligations are Negotiable Instruments; Payments to Registered Owner. All of the Obligations shall be negotiable instruments to the extent provided by the laws of the State of South Carolina. The Authority, the Trustee, the Registrar, the Paying Agents and any other person may treat the registered owner of any Obligation as the absolute owner of such Obligation for the purpose of making payment thereof and for all other purposes, and neither the Authority, the Trustee, the Registrar, nor the Paying Agents shall be bound by any notice or knowledge to the contrary, whether such Obligation shall be overdue or not. All payments of or on account of interest to any registered owner of any Obligation, or to his registered assigns, or all payments of or on account of principal to any registered owner of any Obligation or to his registered assigns, shall be valid and effectual and shall be a discharge of the Authority, the Trustee, the Registrar and the

Paying Agents in respect of the liability upon the Obligations or claims for interest, as the case may be, to the extent of the sum or sums paid, and neither the Authority, the Trustee, the Registrar nor the Paying Agents shall be affected by any notice to the contrary.

SECTION 3.4. Registrar; Registration Books. The Trustee shall also be Registrar of the Obligations and shall keep books for the registration and transfer of Obligations at all times while any Obligations shall be Outstanding.

SECTION 3.5. Transfer of Obligations. Any Obligation may be transferred pursuant to its provisions at the principal office of the Registrar by surrender of such Obligation for cancellation, accompanied by a written instrument of transfer, in form satisfactory to such Registrar, duly executed by the registered owner in person or by his duly authorized attorney, and thereupon the Registrar will issue and deliver at the office of such Registrar, or send by registered mail to the owner thereof at his expense, in the name of the transferee or transferees, a new Obligation or Obligations of the same series, interest rate, maturity and aggregate principal amount as the unpaid principal amount of the surrendered Obligation, dated so there shall result no gain or loss of interest as a result of such transfer. To the extent of denominations authorized in respect of any such Obligations by the terms thereof, or by the terms of this Resolution or the Series Resolution providing for the issuance thereof, one such Obligation may be transferred for several such Obligations of the same series, interest rate and maturity, and for a like aggregate principal amount, and several such Obligations of the same series may be transferred for one or several such Obligations, respectively, of the same series, interest rate and maturity and for a like aggregate principal amount.

SECTION 3.6. Exchange of Obligations. The registered owner of any Obligation, may, unless and except as is otherwise provided in the Series Resolution providing for the issuance thereof, at any time, surrender the same at the office of the Registrar, with instruments of transfer satisfactory to such Registrar duly executed by the registered owner or his duly authorized attorney and upon payment of any charges which the Authority may make as provided in Section 3.7, shall be entitled to receive in exchange therefor an equal aggregate principal amount of Obligations of the same series, interest rate and maturity, of any authorized denomination, the issuance of which has been herein provided for; and the Registrar will issue and deliver at the office of such Registrar, or send by registered mail to the owner thereof at his expense, the Obligations necessary to make such exchange.

SECTION 3.7. Disposition of Obligations Surrendered on Exchange or Transfer; Charges for Exchange and Transfer. In every case of an exchange or a transfer of any Obligations, the surrendered Obligations shall be cancelled by the Registrar and a certificate evidencing such exchange or transfer shall be transmitted promptly to the Authority. As a condition of any such exchange or of any registration or transfer, the Authority at its option may require the payment of a sum sufficient to reimburse it for any tax, fee or other governmental charge that may be imposed thereon. All Obligations executed and delivered in exchange for or upon transfer of Obligations so surrendered shall be valid obligations of the Authority evidencing the same obligations as the Obligations surrendered, and shall be entitled to all the benefits and protection of this Resolution to

the same extent as the Obligations in exchange for, or upon transfer of, which they were executed and delivered.

SECTION 3.8. Payment of Obligations and Interest. The principal of all Obligations of a series shall be payable upon maturity or earlier redemption in legal tender upon presentment and surrender thereof at the principal office of the Paying Agent specified in the Series Resolution for such series of Obligations. The Obligations shall bear interest from their date, payable in legal tender by the Paying Agent for such series of Obligations on each Interest Payment Date to the person whose name appears on the registration books kept by the Registrar as the registered owner thereof as of the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding an Interest Payment Date, by check or draft drawn upon the Trustee and mailed to such registered owner at his address as it appears on such books.

SECTION 3.9. Lost, Stolen, Destroyed or Mutilated Obligations. In case any Obligation shall at any time become mutilated or be lost, stolen or destroyed, the Authority in the case of such a mutilated Obligation shall, and in the case of such a lost, stolen or destroyed Obligation in its discretion may, execute and deliver a new Obligation of the same series, interest rate, maturity and principal amount as the unpaid principal amount as the case may be, of the mutilated, lost, stolen or destroyed Obligation, and of like tenor and effect in exchange or substitution for and upon the surrender and cancellation of such mutilated Obligation, or in lieu of or in substitution for such destroyed, stolen or lost Obligation or if such stolen, destroyed or lost Obligation shall have matured, instead of issuing a substitute therefor, the Authority may at its option pay the same without the surrender thereof. Except in the case where a mutilated Obligation is surrendered, the applicant for the issuance of a substitute Obligation shall furnish to the Authority evidence satisfactory to it of the theft, destruction or loss of the original Obligation and of the ownership thereof, and also provide such security and indemnity as may be required by the Authority, and no such substitute Obligation shall be issued unless the applicant for the issuance thereof shall reimburse the Authority for the expenses incurred by the Authority in connection with the preparation, execution, issuance, and delivery of the substitute Obligations, and any such substitute Obligation shall be equally and proportionately entitled to the security of this Resolution with all other Obligations issued hereunder, whether or not the Obligation alleged to have been lost, stolen or destroyed shall be found at any time or enforceable by anyone. All Obligations so surrendered to the Authority shall be cancelled by it and transmitted to the Trustee for cancellation.

SECTION 3.10. Limitations on Duty of Authority to Register, Exchange or Transfer Obligations. The Authority shall not be required (a) to issue, register, transfer or exchange Obligations for a period of fifteen (15) days next preceding any Interest Payment Date therefor, or (b) to issue, register, transfer or exchange Obligations for a period of forty-five (45) days next preceding any date fixed for redemption of such Obligations.

SECTION 3.11. Destruction of Obligations on Payment, Exchange or Transfer. All Obligations cancelled on account of payment, transfer or exchange shall be disposed of by the Registrar in accordance with the instructions of the Authority.

SECTION 3.12. Book Entry Obligations. Notwithstanding any of the provisions of this Article III, Obligations may be issued pursuant to a book entry system administered by a securities depositary appointed by the Authority, with no physical distribution of Obligation certificates to be made. Provisions for the appointment of such securities depositary, the payment of principal and interest on book entry Obligations, the registration and transfer thereof, notice of and payment at redemption prior to maturity, and any other special terms and conditions, shall all be as set forth in the Series Resolution authorizing the issuance of such series of book entry Obligations.

ARTICLE IV

REDEMPTION OF OBLIGATIONS

SECTION 4.1. Time of Redemption; Redemption Prices. All Obligations which are subject to redemption prior to maturity shall be redeemed upon the terms and conditions specified in this Resolution. The Obligations shall be subject to redemption at the times and upon payment of the redemption prices specified in the Series Resolution authorizing the issuance of such Obligations.

SECTION 4.2. Selection of Obligations for Redemption. If less than all of a series of Obligations are to be redeemed at any time, they shall be redeemed in the manner provided in the Series Resolution authorizing their issuance, and if less than an entire maturity is to be redeemed, the Trustee shall determine by lot, in any manner deemed by it to be fair, the particular Obligations or portions of Obligations of such maturity so to be redeemed.

SECTION 4.3. Notice of Redemption. Notice of any such redemption shall be given by the Authority, or by the Trustee in the name of the Authority, which notice shall specify the number of the Obligations called for redemption, the title, series, maturities, letters or other distinguishing marks of the Obligations to be redeemed, the redemption date and the place or places where the amount due upon such redemption will be payable, and, in the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that upon the date fixed for redemption there shall become due and payable upon each Obligation to be redeemed the principal amount thereof plus the premium, if any, due thereon upon such redemption date, together with interest accrued to the redemption date, and that from and after the redemption date interest thereon, or on the portion of any Obligation to be redeemed in part (unless the Authority shall default in the payment of the redemption price of such Obligations, or of the portion of any Obligation so to be redeemed in part) shall cease to accrue and become payable. Such notice shall be given in the manner and at the time or times specified in the pertinent Series Resolution, and, in any event, such notice shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, by first-class mail, to the registered owner of each such Obligation at his address as it appears on the registration books; but failure to give such notice to the owner of any Obligation being redeemed, or any defect in any notice given, shall not affect the validity of the proceedings for the redemption of any Obligations for which notice was properly given. The Authority shall give written notice to the Trustee of any optional redemption of Obligations at least forty-five (45) days prior to the

redemption date, or such shorter period as shall be acceptable to the Trustee. Whenever notice of redemption has been duly given as herein provided, the Trustee shall, not later than the date fixed for redemption in such notice, transfer to the Paying Agent or Paying Agents for the Obligations so to be redeemed amounts which, in addition to other moneys, if any, held by such Paying Agent or Paying Agents for such purpose, will be sufficient to redeem on the redemption date all the Obligations so to be redeemed.

Any notice of optional redemption given pursuant to this Section may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

SECTION 4.4. Payment of Redeemed Obligations; When Interest on Obligations Called for Redemption Ceases to Accrue. Notice having been given in the manner provided in Section 4.3 of this Resolution, the Obligations or portions thereof so called for redemption shall become due and payable on the redemption date designated in such notice, and the Paying Agent shall make payment thereof. In the event there shall be drawn for redemption less than all of the Obligations represented by a Obligation, the Authority shall execute and the Registrar shall deliver upon the surrender of such Obligation without charge to the owner thereof, for the unredeemed balance of the principal amount of the Obligation so surrendered, an Obligation or Obligations of the same series, interest rate and maturity, in either the denomination of such unredeemed balance or in any of the authorized denominations as shall be requested by the registered owner of the Obligation so surrendered; provided, however, the Authority may, by written agreement with the owner of any Obligation, make payment of the redemption price of a portion of such Obligation directly to the registered owner thereof without presentation or surrender thereof upon such terms and conditions as the Authority may consent to in such agreement. Each Paying Agent shall be advised by the Authority of each such agreement and shall be entitled to rely thereon, and to make payments in accordance therewith, until notified by the Authority of the termination of such agreement. If moneys for the redemption of all the Obligations, or portions thereof, to be redeemed on any redemption date, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on the date fixed for the redemption thereof and if notice of redemption of such Obligations shall have been given as provided in Section 4.3 of this Resolution, then from and after the redemption date, interest on the Obligations or portions thereof so called for redemption shall cease to accrue and become payable, and all Obligations or portions thereof so called for redemption shall be payable solely from the moneys set aside for the payment thereof with the Paying Agent. The earnings on such moneys accruing after the redemption date specified shall be paid over by the Paying Agent to the Authority. If moneys shall not be available on the redemption date specified for the payment of any Obligations, or portions thereof, as shall have been called for redemption, such Obligations, or portions thereof, shall continue to bear interest until paid at the rate they would have borne had they not been called for redemption.

SECTION 4.5. Redeemed Obligations Not to Be Reissued. No Obligations shall be issued in lieu of Obligations paid or surrendered upon any exchange or transfer except as expressly provided by this Resolution.

SECTION 4.6. Credit for Purchased Term Obligations. If the Authority purchases term Obligations other than with moneys in the Revenue Obligation Fund, the Authority may apply, but shall not be required to apply, such term Obligations so purchased in satisfaction of any then current or future mandatory redemption requirement applicable to the term Obligations so purchased and thereby reduce the redemption requirement by the principal amount of such term Obligations so applied.

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.1. Revenue Fund; Pledge of Revenues to Secure the Obligations; Other Funds Established Under the Indenture. The special fund of the Authority created by Section 5.02 of the Indenture and known as the "Revenue Fund" shall be continued for so long as any of the Obligations are Outstanding. The Revenue Fund shall be held in trust and administered by the Trustee under the Indenture so long as any of the Original Bonds are Outstanding, and thereafter shall be held and administered by the Authority. The Authority covenants and agrees that it will pay into the Revenue Fund, as promptly as practicable after receipt thereof, all Revenues.

The Revenue Fund and the Revenues and other moneys paid into the Revenue Fund shall be and hereby are pledged and charged to the punctual payment of the principal of and interest and premium, if any, on the Obligations and to the security thereof in accordance with the provisions of this Resolution, subject,

(a) whether or not any other Senior Debt is Outstanding, so long as any of the Original Bonds are Outstanding, to a prior and paramount lien on the Revenue Fund and such moneys and Revenues for the payment of the Original Bonds and the payments required to be made by the Indenture into the Operating Fund, Interest Fund, Bond Fund and Debt Service Reserve Fund established pursuant to the Indenture; and

(b) whether or not any other Senior Debt is Outstanding, so long as any Revenue Bonds are Outstanding, to a prior and paramount lien on the Revenue Fund and such moneys and Revenues for the payment of the Revenue Bonds and the payments required to be made by the Revenue Bond Resolution into the Revenue Bond Fund and the accounts therein.

The pledge of the Revenues and other moneys hereby made by the Authority shall be valid and binding from the time of the adoption of this Resolution. The Revenues and other moneys so pledged and hereafter received by the Authority shall immediately be subject to the lien of such

pledge without any physical delivery or further act, and the lien of the aforesaid pledge shall be valid and binding as against any parties having claims of any kind in tort, contract, or otherwise against the Authority irrespective of whether such parties have notice of the foregoing pledge.

The Operating Fund, the Interest Fund, the Bond Fund, the Debt Service Reserve Fund, the Contingency Fund, the Capital Improvement Fund and the Special Reserve Fund established pursuant to the Indenture shall be continued for so long as any of the Original Bonds remain Outstanding. When the Original Bonds are no longer Outstanding, the Trustee shall deliver forthwith all moneys and securities held in the Revenue Fund and the aforesaid Funds, except for moneys and securities on deposit in the Capital Improvement Fund and amounts, if any, required to be held by the Trustee under the Indenture to provide for the payment of the principal of, premium, if any, and interest on the Original Bonds, to the Authority, who shall deposit such moneys and securities in the Revenue Fund; and the Operating Fund, the Interest Fund, the Bond Fund, the Debt Service Reserve Fund, the Contingency Fund and the Special Reserve Fund shall thereupon be terminated. Moneys and securities in the Capital Improvement Fund shall be transferred by the Trustee under the Indenture to the Authority, which shall thereupon be the custodian of such Fund.

SECTION 5.2. Payments From the Revenue Fund.

(a) Whenever both Original Bonds and Revenue Bonds are Outstanding, the moneys in the Revenue Fund shall be applied at the times, in the amounts and for the purposes as provided or permitted by the Indenture and by the Revenue Bond Resolution and by this Resolution, and in the following order of priority, subject, however, to Section 2.4 and Section 5.2(e) of this Resolution:

First, there shall be deposited in each month into the Operating Fund created by the Indenture, the amount required by the Indenture, but not less than the amount the Authority determines to be required to pay Operation and Maintenance Expenses;

Second, there shall be deposited in each month into the Interest Fund created by the Indenture, the amount required by the Indenture to be used for the purposes specified therein;

Third, there shall be deposited in each month into the Bond Fund created by the Indenture, the amount required by the Indenture, to be used for the purposes specified therein;

Fourth, there shall be deposited in each month into the Debt Service Reserve Fund created by the Indenture, the amount required by the Indenture, to be used for the purposes specified therein;

Fifth, there shall be deposited in each month into the Revenue Bond Fund, and the accounts therein, the amounts required by the Revenue Bond Resolution, to be used for the purposes specified therein;

Sixth, there shall be deposited, at the times specified in Section 6.1 of this Resolution, into the Revenue Obligation Fund created by this Resolution, the amounts required by this Resolution, to be used for the purposes specified herein;

Seventh, there shall be deposited each month into the Lease Fund, the amount required by Section 5.4 of this Resolution, to be used for the purposes specified therein;

Eighth, there shall be deposited in each month into the Contingency Fund created by the Indenture, the amounts required by the Indenture, to be used for the purposes specified therein;

Ninth, there shall be deposited in each month into the Capital Improvement Fund, the amounts required by the Indenture and the Revenue Bond Resolution, to be used for the purposes specified in the Indenture and the Revenue Bond Resolution; provided, further, the total amount deposited in each Fiscal Year into the Capital Improvement Fund shall be not less than the Minimum Capital Improvement Requirement as defined in Section 5.3 of this Resolution; and the amount paid monthly into the Capital Improvement Fund shall be not less than, in the case of the last monthly payment of the Fiscal Year an amount which will produce, and in the case of all other monthly payments an amount which together with a like amount to be deposited in the Capital Improvement Fund in each succeeding month will produce the Capital Improvement Fund deposit required by this Section 5.2 (a) for such Fiscal Year; and

Tenth, on January 15 and July 15 of each year, there shall be deposited into the Special Reserve Fund created by the Indenture, the amounts required by the Indenture, to be used for purposes specified therein.

(b) Whenever Original Bonds are Outstanding, but no Revenue Bonds are Outstanding, the money in the Revenue Fund shall be applied at the times, in the amounts, and for the purposes as provided or permitted by the Indenture and by this Resolution, and, subject to Section 2.4 of this Resolution, in the following order of priority:

First, there shall be deposited in each month into the Operating Fund created by the Indenture, the amount required by the Indenture, but not less than the amount the Authority determines to be required to pay Operation and Maintenance Expenses;

Second, there shall be deposited in each month into the Interest Fund created by the Indenture, the amount required by the Indenture to be used for the purposes specified therein;

Third, there shall be deposited in each month into the Bond Fund created by the Indenture, the amount required by the Indenture, to be used for the purposes specified therein;

Fourth, there shall be deposited in each month into the Debt Service Reserve Fund created by the Indenture, the amount required by the Indenture, to be used for the purposes specified therein;

Fifth, there shall be deposited, at the times specified in Section 6.1 of this Resolution, into the Revenue Obligation Fund created by this Resolution, the amounts required by this Resolution, to be used for the purposes specified herein;

Sixth, there shall be deposited in each month into the Lease Fund, the amount required by Section 5.4 of this Resolution, to be used for the purposes specified herein;

Seventh, there shall be deposited in each month into the Contingency Fund created by the Indenture, the amounts required by the Indenture, to be used for the purposes specified therein;

Eighth, there shall be deposited in each month into the Capital Improvement Fund, the amounts required by the Indenture, to be used for the purposes specified in the Indenture; provided, the total amount deposited in each Fiscal Year into the Capital Improvement Fund shall be not less than the Minimum Capital Improvement Requirement as defined in Section 5.3 of this Resolution; and the amount paid monthly into the Capital Improvement Fund shall be not less than, in the case of the last monthly payment of the Fiscal Year an amount which will produce, and in the case of all other monthly payments an amount which together with a like amount to be deposited in the Capital Improvement Fund in each succeeding month will produce the Capital Improvement Fund deposit required by this Section 5.2 (b) for such Fiscal Year; and

Ninth, on January 15 and July 15 of each year, there shall be deposited into the Special Reserve Fund created by the Indenture, the amounts required by the Indenture, to be used for purposes specified therein.

(c) Whenever Revenue Bonds are Outstanding, but no Original Bonds are Outstanding, the moneys in the Revenue Fund shall be applied at the times, in the amounts and for the purposes as provided or permitted by the Revenue Bond Resolution and by this Resolution, and, subject to Section 2.4 of this Resolution, in the following order of priority:

First, there shall be deposited in each month with the Revenue Bond Fund and the accounts therein, the amounts required by the Revenue Bond Resolution, to be used for the purposes specified herein;

Second, there shall be deposited, at the times specified in Section 6.1 of this Resolution, into the Revenue Obligation Fund created by this Resolution, the amounts required by this Resolution, to be used for the purposes specified herein;

Third, there shall be deposited in each month into the Lease Fund the amount

required by Section 5.4 of this Resolution, to be used for the purposes specified therein;

Fourth, there shall be retained in the Revenue Fund the amount which the Authority determines to be required to pay Operation and Maintenance Expenses; and

Fifth, there shall be deposited in each month into the Capital Improvement Fund such amounts as the Authority shall determine, provided that there shall be paid into the Capital Improvement Fund in each Fiscal Year an amount at least equal to the amount required to be paid into the Capital Improvement Fund by Section 5.4 of the Resolution; provided, further, the total amount deposited in each Fiscal Year into the Capital Improvement Fund shall be not less than the Minimum Capital Improvement Requirement as defined in Section 5.3 of this Resolution; and the amount paid monthly into the Capital Improvement Fund shall be not less than, in the case of the last monthly payment of the Fiscal Year an amount which will produce, and in the case of all other monthly payments an amount which together with a like amount to be deposited in the Capital Improvement Fund in each succeeding month will produce the Capital Improvement Fund deposit required by this Section 5.2 (c) for such Fiscal Year.

(d) Whenever no Senior Debt is Outstanding, the moneys in the Revenue Fund shall be applied at the times, in the amounts and for the purposes as provided or permitted by this Resolution, and in the following order of priority, subject, however, to Section 2.4 of this Resolution:

First, there shall be deposited, at the times specified in Section 6.1 of this Resolution, into the Revenue Obligation Fund created by this Resolution, the amounts required by this Resolution, to be used for the purposes specified herein;

Second, there shall be retained in the Revenue Fund the amount which the Authority determines to be required to pay Operation and Maintenance Expenses; and

Third, there shall be deposited when due into the Lease Fund the amount required by Section 5.4 of this Resolution, to be used for the purposes specified herein;

Fourth, there shall be deposited in each month into the Capital Improvement Fund such amounts, if any, as the Authority shall determine; provided, the total amount deposited in each Fiscal Year into the Capital Improvement Fund shall be not less than the Minimum Capital Improvement Requirement as defined in Section 5.3 of this Resolution.

(e) So long as both Original Bonds and Revenue Bonds are Outstanding, Operation and Maintenance Expenses of any facility for the sale of water or for the generation, transmission and distribution of any form of power and energy other than water power and electric power and energy, shall, to the extent such Operation and Maintenance Expenses exceed Revenues derived from such facility, follow in order of priority all of the payments prescribed in the subsection of this Section 5.2 applicable from time to time.

(f) Any moneys remaining in the Revenue Fund each month after making the foregoing deposits into the Operating Fund, Interest Fund, Bond Fund, Debt Service Reserve Fund, Contingency Fund, Capital Improvement Fund and the Special Reserve Fund created under the Indenture, the Revenue Bond Fund and accounts therein, the Lease Fund, and the Revenue Obligation Fund and after making or providing for the payment of Operation and Maintenance Expenses, may be used by the Authority for any corporate purpose of the Authority.

(g) Nothing in this Section 5.2 or in this Resolution shall be construed to require the deposit into the Revenue Fund after the Original Bonds are no longer Outstanding of any of the revenues, income, receipts, profits or other moneys of the Authority derived by the Authority through the ownership or operation of any separate system described in Section 2.5 of this Resolution or through the ownership or operation of any separate project referred to in Section 1.1(kk) of this Resolution.

SECTION 5.3. Capital Improvement Fund; Expenditures for Capital Improvements. The Capital Improvement Fund established pursuant to the Indenture shall be continued for so long as any of the Obligations are Outstanding. So long as any of the Original Bonds are Outstanding, the Capital Improvement Fund shall be held by the Trustee under the Indenture, and all the provisions of the Indenture presently applicable to such Fund shall remain in full force and effect. When the Original Bonds are no longer Outstanding, the provisions of the Indenture with respect to the Capital Improvement Fund shall no longer be applicable. After the Original Bonds are no longer Outstanding, moneys and securities in the Capital Improvement Fund shall be transferred by the Trustee under the Indenture to the Authority which shall thereupon be the custodian of the Capital Improvement Fund. So long as any of the Revenue Bonds are Outstanding, the provisions of the Revenue Bond Resolution presently applicable to the Capital Improvement Fund shall remain in full force and effect. When the Revenue Bonds are no longer Outstanding, the provisions of the Revenue Bond Resolution with respect to the Capital Improvement Fund shall no longer be applicable.

The Authority covenants and agrees with the holders of the Obligations that it will deposit in the Capital Improvement Fund from the Revenues in each Fiscal Year such amount as the Board of Directors of the Authority shall determine, provided, however, that in each Fiscal Year there shall be deposited into the Capital Improvement Fund an amount at least equal to the Minimum Capital Improvement Requirement, defined as follows: an amount which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding Fiscal Years, will be at least equal to eight per cent (8%) of the Revenues required by this Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years.

There may be considered as a payment toward fulfillment of the Minimum Capital Improvement Requirement any payments credited to the Capital Improvement Fund under the provisions of the Indenture and the Revenue Bond Resolution.

So long as any of the Original Bonds or Revenue Bonds are Outstanding, moneys in the Capital Improvement Fund shall be used for the purposes specified in the Indenture and the

Revenue Bond Resolution, as the case may be. After all Original Bonds or Revenue Bonds are no longer Outstanding, the moneys on deposit in the Capital Improvement Fund shall be used solely to pay Capital Costs.

SECTION 5.4. Lease Fund. There is hereby continued for so long as any Obligations are Outstanding a special fund of the Authority created under Section 5.3 of the Resolution known as the "South Carolina Public Service Authority Lease Fund". The Lease Fund shall be held and administered by the Authority and shall be used solely for the purpose of making payments under leases of properties or facilities used for the purpose of generating, transmitting and distributing, all forms of power and energy. The Authority hereby obligates and binds itself irrevocably to set aside and to pay, or, so long as any Original Bonds are Outstanding, to cause the Trustee under the Indenture to pay into the Lease Fund, out of the Revenues of the System theretofore paid into the Revenue Fund, the amounts necessary to make such lease payments, in accordance with Section 5.2 of this Resolution. The amount to be deposited when due with respect to each lease shall be an amount equal to the next rental payment due under such lease.

ARTICLE VI

REVENUE OBLIGATION FUND

SECTION 6.1. Revenue Obligation Fund. There is hereby created a special fund of the Authority to be known as the "South Carolina Public Service Authority Revenue Obligation Fund." The Revenue Obligation Fund shall be held in trust and administered by the Trustee and shall be used solely for the purpose of paying the principal of (whether upon maturity or mandatory redemption), premium, if any, and interest on the Obligations. The Authority hereby obligates and binds itself irrevocably to set aside and to pay (or, so long as any of the Original Bonds are Outstanding, to cause the Trustee under the Indenture to pay) to the Trustee for deposit into the Revenue Obligation Fund, amounts sufficient to pay the principal of (whether upon maturity or mandatory redemption), premium, if any, and interest on all the Obligations from time to time Outstanding as the same respectively become due and payable. The amounts to be paid into the Revenue Obligation Fund shall be due and payable not later than the business day immediately preceding the next date upon which an installment of principal (whether upon maturity or mandatory redemption), premium, if any, or interest falls due on the Obligations (or in immediately available funds on such due date), in an amount equal to such installment of principal, premium, if any, or interest then falling due on all Obligations then Outstanding. In making the payments to the Revenue Obligation Fund required by this Section 6.1, any amounts paid or to be paid into the Revenue Obligation Fund representing accrued interest received on the sale of Obligations shall be taken into consideration and allowed for.

SECTION 6.2. Transfers from Revenue Obligation Fund. Moneys in the Revenue Obligation Fund shall be transmitted by the Trustee to the Paying Agents on or prior to the date upon which any interest or principal (whether upon maturity or mandatory redemption) is due on Obligations, in amounts sufficient to meet such installments of principal, premium, if any, and

interest on the Obligations when due.

Moneys set aside from time to time with the Paying Agent for the purpose of paying the principal of premium, if any, and interest on the Obligations shall be held in trust for the holders of the Obligations in respect of which the same shall have been so set aside. Until so set aside, all moneys in the Revenue Obligation Fund shall be held in trust for the benefit of the holders of all Obligations at the time Outstanding, equally and ratably.

Whenever the amounts on deposit in the Revenue Obligation Fund shall be sufficient to provide moneys to retire all Obligations then Outstanding, including such interest thereon as thereafter may become due and payable and any premiums upon redemption thereof, no further payments need be made into the Revenue Obligation Fund. All moneys remaining in the Revenue Obligation Fund after provisions for the payment in full of the Obligations shall be returned to the Revenue Fund.

SECTION 6.3. Investment of Funds. (a) Moneys held in the Revenue Obligation Fund shall, to the fullest extent practicable and reasonable, be invested by the Trustee at the direction of the Authority in Investment Securities which shall mature on or prior to the respective dates when such moneys will be required for the purposes intended.

(b) All income in the Revenue Obligation Fund resulting from the investment or reinvestment of moneys made pursuant to this Section 6.3 shall be deposited in the Revenue Fund; provided, however, that in any Series Resolution the Authority may provide that all or part of such income may, during the construction period of any facility financed by such series of Obligations, be transferred to the construction fund established for such series.

ARTICLE VII

APPOINTMENT, QUALIFICATION, RESIGNATION, REMOVAL, POWERS, DUTIES AND LIABILITIES OF THE TRUSTEE

SECTION 7.1. Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution as such Trustee by executing and delivering to the Authority a written acceptance of the provisions of this Resolution. The Trustee may be removed by resolution of the Authority at any time, except during the existence of an Event of Default. The Trustee may also be removed at the request of and upon the affirmative vote of the holders of more than fifty per cent (50%) of the principal amount of Obligations Outstanding. In the event of the removal, resignation, disability or refusal to act of the Trustee, a successor may be appointed by the Authority or by the holders of more than fifty per cent (50%) of the principal amount of Obligations Outstanding, excluding any Obligations held by or for the account of the Authority, and such successor shall have all the powers and obligations of the Trustee under this Resolution theretofore vested in its predecessor, or in any Owners' Committee created under Article X of this Resolution; provided, that unless a successor Trustee shall have been appointed by the holders of Obligations as

aforesaid, the Authority by resolution or a duly executed written instrument signed by a majority of its Board of Directors shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the holders of Obligations as authorized in this Section. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the holders of the Obligations.

SECTION 7.2. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty days' written notice to the Authority and publishing notice thereof, specifying the date when such resignation shall take effect, once in each week for three successive calendar weeks in the manner provided in Section 11.2 of this Resolution, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the holders of Obligations as above provided, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 7.3. Appointment of Paying Agents; Each Paying Agent to Hold Money in Trust. The Authority shall appoint a Paying Agent or Agents for each series of Obligations, which shall be a bank or trust company specified in the Series Resolution authorizing such series of Obligations, and the Obligations of each such series and the interest thereon shall be payable at a designated office of each such Paying Agent or Paying Agents. Each Paying Agent shall hold in trust for the benefit of the holders of Obligations and the Trustee all sums held by such Paying Agent for the payment of the principal of and interest on the Obligations. Anything in this paragraph to the contrary notwithstanding, the Authority may at any time, for the purpose of obtaining a satisfaction and discharge of this Resolution, or for any other reason, cause to be paid to the Trustee all sums held in trust by any Paying Agent hereunder as required by this Section, which sums shall be held by the Trustee upon the trusts herein contained, and such Paying Agent shall thereupon be released from all further liability with respect to such sums.

SECTION 7.4. Action by Trustee in Payment of Obligations. The appropriate accounts of the Revenue Obligation Fund shall be drawn upon by the Trustee for the purpose of paying the principal of, and interest and premium, if any, on the Obligations.

SECTION 7.5. Duties and Obligations of the Trustee. The duties and obligations of the Trustee appointed by or pursuant to the provisions of this Resolution prior to the occurrence of an Event of Default (hereinafter defined), and subsequent to the curing of such Event of Default, shall be determined solely by the express provisions of this Resolution, and such Trustee shall not be liable for any action of any other Trustee and shall not otherwise be liable except for the performance of its duties and obligations as specifically set forth herein and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by such Trustee other than those specified herein, and such Trustee shall be protected when acting in good faith and upon advice of counsel, who may be counsel to the Authority. In case an Event of Default has occurred which has not been cured, such Trustee shall exercise such of the rights and powers vested in it by this Resolution and use the same degree of care and skill in the exercise thereof as a prudent

man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee shall not be deemed to have knowledge of any Event of Default not known to such Trustee.

SECTION 7.6. Evidence on Which Trustee May Act. Subject to the provisions of Section 7.5 of this Resolution, the Trustee may conclusively rely, as to the correctness of the statements, conclusions and opinions expressed therein, upon any certificate, report, opinion or other document furnished to the Trustee pursuant to any provisions of this Resolution. Except as otherwise expressly provided in this Resolution, any request, consent, certificate, demand, notice, order, appointment or other direction made or given by the Authority to the Trustee shall be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the Authority by an officer of its Board of Directors.

SECTION 7.7. When Trustee Not Required to Act. None of the provisions contained in this Resolution shall require the Trustee to spend or risk his own funds or otherwise incur individual financial responsibility in the performance of its duties or in the exercise of any of its rights or powers, if there are reasonable grounds for believing that the repayment thereof is not reasonably assured to it under the terms of this Resolution.

SECTION 7.8. Compensation of Trustee and Paying Agents. The Trustee and the Paying Agents shall be entitled to reasonable compensation for all services rendered by them in the execution, exercise and performance of any of the powers and duties to be exercised or performed by the Trustee and the Paying Agents, respectively, pursuant to the provisions of this Resolution or any Series Resolution, which compensation shall not be limited by any provisions of law in regard to the compensation of a trustee of an express trust, and the Authority will pay or reimburse the Trustee and the Paying Agents upon request for all expenses, disbursements and advances incurred or made by the Trustee or Paying Agents, as the case may be, in accordance with any of the provisions hereof (including the reasonable compensation and expenses and disbursements of counsel for the Trustee or Paying Agents, as the case may be, and of any persons not regularly in the employ thereof).

Subject to the provisions of Section 7.5 of this Resolution, the Trustee and the Paying Agents shall be entitled to indemnity from the Authority against any loss, liability or expense incurred on the part of the Trustee or the Paying Agents, as the case may be, arising out of or in connection with the acceptance or administration of the powers and duties of the trust created pursuant to the provisions of this Resolution and not involving negligence or misconduct on the part of the Trustee or Paying Agents, as the case may be, including the cost and expense of defending against any claim or liability in the premises, and, to the extent permitted by law, the Trustee or the Paying Agents, as the case may be, shall have a lien or claim for payment of such compensation, expenses and disbursements of counsel, losses, liabilities and expenses prior to that of the holders of the Obligations upon any funds held by it under this Resolution.

SECTION 7.9. No Liability of Trustee for Correctness of Recitals. The Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals, statements and representations herein or in the Obligations, all of which are made by the Authority solely. The

Trustee makes no representations as to the value or condition of the System or any part thereof, or as to any other addition or improvement to the System, or as to the right, title and interest of the Authority in the System, or any other addition or improvement to the System, or as to the lien created by this Resolution, or as to the validity of this Resolution or of the Obligations issued hereunder, and the Trustee shall not incur any liability or responsibility in respect of any such matters. The Trustee shall not have any responsibility as to the amount of Obligations issued or Outstanding at any time.

SECTION 7.10. Rights of Trustee to Deal in Obligations and Any Other Obligations of the Authority. The Trustee and its directors, officers, employees or agents, may in good faith buy, sell, own and hold any of the Obligations issued under the provisions of this Resolution, and may join in any action which the holder of any Obligation may be entitled to take with like effect as if the Trustee were not the Trustee under the Resolution. The Trustee may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof, make disbursements therefor and enter into any commercial or business arrangement therewith. The Trustee shall not be deemed to have any conflict of interest solely by reason of any such transaction.

ARTICLE VIII

COVENANTS TO SECURE OBLIGATIONS

SECTION 8.1. Compliance with Indenture and Revenue Bond Resolution. So long as any Original Bonds are Outstanding, the Authority shall comply in all respects with each of the provisions, covenants and agreements of or contained in the Indenture; and so long as any Revenue Bonds are Outstanding, in the Revenue Bond Resolution. The Authority shall not amend the Indenture or the Revenue Bond Resolution in any manner materially adverse to the interests of the holders of the Obligations.

So long as any Obligations are Outstanding, the Authority will not hereafter issue bonds, notes, certificates of indebtedness or other evidences of indebtedness or incur any other form of indebtedness payable from the Revenues or from the moneys in the Revenue Fund senior and paramount to the lien of the Obligations except that bonds may be issued under the Indenture for the purpose of paying the cost of refunding or purchasing the Original Bonds as permitted in Section 8.1 of the Revenue Bond Resolution; and bonds may be issued under the Revenue Bond Resolution for the purpose of paying the cost of refunding or purchasing Revenue Bonds prior to maturity, including amounts to pay principal, redemption premium and interest to the redemption or purchase date and other costs of refunding or purchasing such Revenue Bonds.

SECTION 8.2. Rate Covenant. The Authority shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished, or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient to pay the principal of, premium, if any, and interest on the

Original Bonds, the Revenue Bonds, and the Obligations, as and when the same shall become due and payable; to make when due all payments which the Authority is obligated to make (a) into the Revenue Bond Fund, (b) into the Lease Fund, (c) into the Revenue Obligation Fund created hereunder and (d) into the Capital Improvement Fund pursuant to the Revenue Bond Resolution and pursuant to this Resolution, and to make when due all other payments which the Authority is obligated to make into the special funds created under the Indenture for the payment of principal of, premium, if any, and interest on the Original Bonds, and all other payments which the Authority is obligated to make pursuant to the Indenture, the Revenue Bond Resolution, and this Resolution; to pay all proper Operation and Maintenance Expenses and all necessary repairs, replacements and renewals thereof, and all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof, or payments in lieu thereof; and to pay any and all amounts which the Authority may now be and hereafter become obligated to pay from the Revenues of the System by law or contract.

The Authority will from time to time and as often as necessary, revise and alter such schedule of rents, tolls, rates and other charges, and adopt such additional schedules so that the Revenues so derived will be sufficient for the purposes aforesaid.

In case the schedule of rents, tolls, rates and other charges at any time in force hereunder shall be inadequate to provide Revenues sufficient for the purposes aforesaid, or in case the Authority shall at any time and for any reason fail or refuse to fix, establish and collect rents, tolls, rates and other charges adequate to provide Revenues sufficient for such purposes, then and in any such event, without regard to whether an Event of Default, as defined in Section 10.1 of this Resolution, shall have happened, without prejudice to any other right or remedy existing under this Resolution or under the Revenue Bonds, the Bond Fund Trustee, as a matter of right, may in its discretion, and upon the written request of the holders of twenty-five per cent (25%) in principal amount of the Revenue Bonds then Outstanding, shall institute and prosecute in any court of competent jurisdiction an appropriate action to compel the Authority to fix, establish and collect rents, tolls, rates and other charges adequate to provide Revenues sufficient for the purposes aforesaid, and the Authority covenants and agrees that it will fix, establish and collect rents, tolls, rates and other charges in compliance with every order or decree of any such court. The right and power herein granted may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.3. Maintenance of Properties in Good Condition. The Authority shall at all times maintain, preserve and keep, or cause to be maintained, preserved and kept, its properties and all additions and betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

The Authority will at all times comply or assure compliance with the terms and conditions of any permit or license pertaining to its properties issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the ownership,

construction, operation, maintenance and repair of its facilities or requiring a license therefor.

SECTION 8.4. Sale, Lease or Other Disposition of Properties; Mortgages and Liens on Leased Properties.

(a) Subject to the next sentence, the Authority may sell, lease, or otherwise dispose of any part of its properties on such terms and conditions as may be prescribed by its Board of Directors and, so long as any Original Bonds or Revenue Bonds are Outstanding, upon compliance with any additional requirements set forth in the Indenture and the Revenue Bond Resolution. The Authority shall not take any action described in the preceding sentence unless, in the judgment of the Authority's Board of Directors, such action is desirable in the conduct of the Authority's business and does not materially impair the Authority's ability to comply with the provisions of Section 8.2 of this Resolution.

(b) The Authority may lease, as lessee, any property or facilities notwithstanding such property or facilities may be subject to liens, mortgages or other encumbrances or charges.

SECTION 8.5. Insurance. The Authority shall keep, or cause to be kept, its properties and the operations thereof insured to the extent available at reasonable cost with responsible insurers against risks of direct physical loss, damage to or destruction, at least to the extent that similar insurance is usually carried by utilities operating like properties against accidents, casualties or negligence, including liability insurance and employer's liability; provided, however, that any time while any contractor engaged in constructing any facilities shall be fully responsible therefor, the Authority shall not be required to keep such insured.

SECTION 8.6. Books of Accounts. The Authority shall keep proper books of account in substantial compliance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission or other federal agencies having jurisdiction over public utility companies owning and operating properties similar to the properties owned and operated by the Authority, whether or not the Authority is at that time required by law to use such system of accounts.

The Authority shall cause its books of account to be audited for each Fiscal Year on or before the expiration of six (6) months after the close of such Fiscal Year by an independent certified public accountant or firm of independent certified public accountants, licensed, registered or entitled to practice, and practicing as such, under the laws of the State of South Carolina, who, or each of whom, is in fact independent and does not have any interest, direct or indirect, in any contract with the Authority other than his contract of employment pursuant to this Section 8.5 and who is not connected with the Authority as an officer or employee of the Authority; provided, however that such accountant or firm of accountants may be the accountant designated to prepare the audit for the Advisory Board of the South Carolina Public Service Authority required by the Enabling Act. A copy of each annual audit report showing in reasonable detail the financial condition of the Authority as of the close of each Fiscal Year, and the income and expenses for such Fiscal Year, including the transactions relating to any and all special funds and accounts created pursuant to the provisions of the Indenture, the Revenue Bond Resolution and this Resolution, shall

be filed with the Trustee.

SECTION 8.7. Not to Render Service Free of Charge. So long as any Obligations are Outstanding, the Authority shall not furnish or supply or permit the furnishing or supplying of electric, or any other form of, energy or water furnished by or in connection with the operation of the System, free of charge to any person, firm or corporation, public or private, and the Authority will promptly enforce the payment of any and all accounts owing to the Authority and delinquent, by discontinuing service or by filing suits, actions and proceedings, or by both discontinuance of service and filing suit.

SECTION 8.8. Authority as Body Corporate and Politic; Power to Act. The Authority represents that it is a body corporate and politic, duly organized and existing under and by virtue of the Constitution and laws of the State of South Carolina and that it is duly authorized under the laws of the State of South Carolina to construct, lease, acquire, operate, maintain, repair, renew and replace its facilities; and to levy and collect tolls, rents, fees and other charges; and all corporate action on its part to that end has been duly and validly taken.

SECTION 8.9. Covenant To Pay Taxes and Assessments and Other Claims. The Authority shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon its properties or the revenue, income, receipts and profits derived therefrom, when the same shall become due, as well as all lawful claims for labor, materials and supplies which, if not paid, might become a lien or charge upon the properties, or any part thereof, or upon the revenues derived from the operation thereof, except assessments, charges, or claims which the Authority shall in good faith contest by proper legal proceedings.

SECTION 8.10. Covenant To Pay Obligations Punctually. The Authority shall duly and punctually pay or cause to be paid, but only from the Revenues and from the proceeds of the sale or other disposition of property of the Authority, the principal of, and premium, if any, and interest on each Obligation on the dates and at the places and in the manner provided in the Obligations, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Obligations and in this Resolution and any Series Resolution or Supplemental Resolution.

ARTICLE IX

SUPPLEMENTAL RESOLUTIONS

SECTION 9.1. Adoption of Supplemental Resolutions Without Consent of Owners. The Authority may adopt, at any time and from time to time and without the consent or concurrence of the holder of any Obligation, a resolution or resolutions supplemental to this Resolution for any one or more of the following purposes, and any such supplemental resolution or resolutions shall become effective in accordance with its terms upon the filing with the Trustee of a certified copy

thereof and the opinion of counsel for the Authority that such supplemental resolution has been duly adopted and the provisions thereof are valid and binding upon the Authority:

(a) To provide for the issuance of Obligations pursuant to the provisions of Section 2.2 and Section 2.3 of this Resolution, and to prescribe the terms and conditions pursuant to which such Obligations may be issued, paid or redeemed;

(b) To make any changes, modifications, amendments or deletions hereto which may be required to permit this Resolution to be qualified under the Trust Indenture Act of 1939, as amended, of the United States of America or any similar Federal statute hereafter in effect or under any state Blue Sky Law;

(c) To make any changes, modifications, amendments or deletions hereto which may be required to assure exclusion from gross income for federal income tax purposes of interest on Obligations issued as tax-exempt obligations;

(d) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Obligations, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in this Resolution;

(e) To prescribe further limitations and restrictions upon the issuance of Obligations and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(f) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution;

(g) With the consent of the Trustee, to cure or correct any ambiguity or defective or inconsistent provisions, omissions, mistakes or manifest errors in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this Resolution as theretofore in effect; or to make any other change which, in the Trustee's opinion, is not detrimental to the interests of the holders of the Obligations.

(h) To modify any of the provisions of this Resolution in any other respects; provided that such modification shall not be effective until after the Obligations Outstanding as of the date of adoption of such resolution shall cease to be Outstanding.

SECTION 9.2. Amendments of Resolution with Consent of Owners. The provisions of this Resolution may be modified at any time or from time to time by a Supplemental Resolution, subject to the consent of the holders of Obligations in accordance with and subject to the provisions of Article XI of this Resolution, such resolution to become effective as provided in such Article XI.

SECTION 9.3. Consent of Trustee to Certain Amendments. No resolution changing, amending or modifying any of the rights or obligations of the Trustee or any other fiduciary may be adopted by the Authority or be consented to by the holders of Obligations without the written consent of the Trustee or such other fiduciaries. The Trustee is hereby authorized to accept the delivery of certified copies of any resolution amending the provisions of this Resolution and shall be fully protected in relying upon a certification by counsel to the Authority that such resolution has been adopted in full compliance with the terms and provisions of this Resolution.

ARTICLE X

DEFAULTS AND REMEDIES

SECTION 10.1. Events of Default; Declaration of Principal and Interest as Due. The Trustee or the holder of any Obligation shall have authority to exercise each right and remedy granted in this Article only to the extent that the exercise of such right or remedy will not impair the rights of the holders of the Original Bonds and Revenue Bonds from time to time Outstanding.

The Authority hereby covenants and agrees with the holders from time to time of the Obligations, in order to protect and safeguard the covenants and obligations undertaken by the Authority securing the Obligations, that if one or more of the following events (each, an "Event of Default") shall happen, (provided that, unless otherwise provided by a Series Resolution, the failure by the Authority to purchase Obligations tendered for elective purchase shall not constitute an Event of Default hereunder), that is to say:

(a) Default in the due and punctual payment of any interest on any Obligation which shall continue for a period of thirty (30) days; or

(b) Default in the due and punctual payment of the principal of any Obligation, whether at the stated maturity thereof, at the mandatory redemption date, at the redemption date or upon declaration in accordance with this Section 10.1; or

(c) If the Authority shall violate or fail to perform any of its covenants or agreements contained in this Resolution for ninety (90) days after written notice of default is given to it by the Trustee or by a holder of any Obligation; or

(d) A default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Authority, or in respect of any obligations of the Authority under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, resolution, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default shall have resulted in the principal amount of such bond, debenture, note or other evidence of indebtedness or lease obligation becoming due and payable prior to its stated maturity or which

default shall have been a default in the payment of principal when due and payable; or

(e) A decree or order by a court having jurisdiction in the premises shall have been entered judging the Authority as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Authority under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, and such decree or order shall have continued undischarged or unstayed for a period of forty (40) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or any of its property, or for the winding-up or liquidation of the Authority or any of its property, shall have been undischarged and unstayed for a period of (60) days; or

(f) The Authority shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or of any of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its insolvency or inability to pay its debts generally as they become due, or any action shall be taken by the Authority in furtherance of any of the foregoing aforesaid purposes; or

(g) A default shall occur under the Indenture or the Revenue Bond Resolution;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Obligations shall have already become due and payable, either the Trustee (by notice in writing to the Authority), or the holders of not less than twenty-five per cent (25%) in principal amount of the Obligations then Outstanding, (by notice in writing to the Authority and the Trustee), may declare the principal of all the Obligations then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Resolution or in any of the Obligations contained to the contrary notwithstanding. The right of the Trustee or of the holders of not less than twenty-five per cent (25%) in principal amount of the Obligations to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but (i) before any judgment or decree for the payment of moneys due shall have been obtained or entered and has been discharged, (ii) before possession and control of the business and properties of the System have been taken pursuant to Sections 10.3 and 10.4 hereof, and (iii) before the Obligations shall have matured by their terms, all overdue installments of interest upon the Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the holders of Obligations and their respective agents and attorneys and all other sums then payable by the Authority under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall either be paid by or for the account of the Authority or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under the Obligations or under this Resolution (other than the payment of principal and interest due

and payable solely be reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of twenty-five per cent (25%) in principal amount of the Obligations then Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or if the Trustee shall have acted without a direction from the holders of not less than a majority in principal amount of the Obligations Outstanding at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the holders of not less than a majority in principal amount of the Obligations then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority will account, as a trustee of an express trust, for all Revenues and other moneys, securities and funds pledged under the Resolution.

SECTION 10.2. Inspection of Authority's Books and Records. The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Authority shall at all times be subject to the inspection and use of the Trustee and any persons holding at least twenty-five per cent (25%) of the principal amount of Obligations Outstanding and of their respective agents and attorneys.

SECTION 10.3. Payment of Funds to Trustee; Application of Revenues. The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over to the Trustee forthwith, all moneys, securities and funds then held by the Authority; provided, however, that so long as any Original Bonds or Revenue Bonds are Outstanding, the Authority shall not be obligated to pay over to the Trustee any Revenues or other moneys payable to the Trustee under the Indenture or Trustee appointed pursuant to the Revenue Bond Resolution.

During the continuance of an Event of Default, the Revenues received by the Trustee, or Owners' Committee, as the case may be, whether pursuant to the provisions of the preceding paragraph or any other provision of this Resolution, or as the result of taking possession of the business and properties of the System, shall be applied by the Trustee or Owners' Committee, as the case may be, subject to the rights of the holders of the Senior Debt, first to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Trustee or Owners' Committee, as the case may be (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the System necessary to prevent any loss of Revenues, and with respect to the sufficiency of the rates and charges for power and energy sold, furnished or supplied by the System), and thereafter to the payment of the reasonable and necessary cost of operation, maintenance, repair and replacement of the System (to the extent that the foregoing costs are not payable from funds held by the Trustee appointed pursuant to the Indenture) and the

principal of and interest on the Revenue Bonds.

In the event that at any time the funds held by the Trustee and the Paying Agents for the Obligations shall be insufficient for the payment of the principal of and premium, if any, and interest then due on the Obligations, such funds (other than funds held for the payment or redemption of particular Obligations which have theretofore become due at maturity or by call for redemption) and all Revenues and other moneys received or collected for the benefit or for the account of holders of the Obligations by the Trustee shall be applied as follows:

(a) Unless the principal of all of the Obligations shall have become or have been declared due and payable,

First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and if the amount available shall not be sufficient to pay in full all the Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligations, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the holders of Obligations, their respective agents and attorneys, and all other sums payable by the Authority under the Resolution including the principal and premium, if any, of and accrued unpaid interest on all Obligations which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made

therefor, the Trustee shall pay over to the Authority all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Trustee (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under this Resolution. No such payment over to the Authority by the Trustee shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

SECTION 10.4. Suits at Law or in Equity; Direction of Actions by Owners; Possession of System; Receivership. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, either in its own name or as trustee of an express trust, or as attorney-in-fact for the holders of the Obligations, or in any one or more of such capacities, by its agents and attorneys, shall be entitled and empowered to proceed forthwith and upon the written request of the holders of not less than twenty-five per cent (25%) of the Obligations then Outstanding shall proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Obligations and to protect and enforce its rights and the rights of the holders of the Obligations under this Resolution for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights, or to perform any of its duties under the Resolution. The Trustee shall be entitled and empowered either in its own name or as a trustee of an express trust, or as an attorney-in-fact for the holders of the Obligations, or in one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Obligations allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority. For this purpose the Trustee is hereby irrevocably appointed the true and lawful attorney-in-fact of the respective holders of the Obligations (and the successive holders of the Obligations by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) with authority to make and file in the respective names of the holders of the Obligations any such proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings, and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all acts and things for and on behalf of the holders of the Obligations as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Trustee and of the holders of the Obligations allowed in any such proceeding and to receive payment of and on account of such claims; provided, however, that nothing contained herein shall be deemed to give the Trustee any right to accept or consent to any plan or reorganization or compromise or otherwise take any action of any character in any such proceeding to waive or change in any way any right of any holder of Obligations.

All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Obligations or the production thereof on the trial or other proceedings.

The holders of not less than a majority in principal amount of the Obligations at the time Outstanding, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee.

At any time after the occurrence of an Event of Default and prior to the curing of such Event of Default, whether or not the principal of and premium, if any, and interest accrued on all the Obligations Outstanding shall have been declared immediately due and payable as a result of such Event of Default, the Trustee, as a matter of right against the Authority, without notice of demand, and without regard to the adequacy of the security for the Obligations shall, to the extent permitted by law, subject always to the rights of the holders of any Senior Debt from time to time Outstanding, be entitled to take possession and control of the business and properties of the System. Upon taking such possession, the Trustee shall operate and maintain the System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for power and energy sold, furnished or supplied through the facilities of the System, collect the gross revenues resulting from the operation of the System, and perform all of the agreements and covenants contained in all contracts which the Authority is at the time obligated to perform. At any time the Trustee, subject always to the rights of the holders of any Senior Debt from time to time Outstanding, shall be entitled to the appointment of a receiver of the business and property of the System, of the moneys, securities and funds of the Authority pledged under this Resolution, and of the Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer, including the power to perform and enforce all contracts, to the same extent that the Authority shall then be entitled and obligated to do; provided, however, that, notwithstanding the happening of an Event of Default, the rights and obligations of the parties to such contracts not in default shall not be affected by such happening of an Event of Default. Notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Revenues deposited or pledged with it under this Resolution or agreed or provided to be delivered to or deposited or pledged with it under this Resolution.

SECTION 10.5. Suits by Individual Owners. Except as otherwise specifically provided in this Section, no holder of any of the Obligations shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution unless such holder previously shall have given to the Trustee written notice of the Event of Default, as provided in this Article, on account of which such suit, action or proceeding is to be instituted, and unless, also, the holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Obligations then Outstanding shall have filed a written request with the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for a period of sixty (60) days after the receipt by it of such notice, request and offer to indemnify shall have failed to proceed to exercise such powers or to institute any such action, suit or proceeding, and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 10.4 of this Resolution; it being understood and intended that, except as otherwise above provided, no

one or more holders of the Obligations shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under the Resolution except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided for the benefit of holders of such Outstanding Obligations.

In the event that the Trustee shall have failed or refused to comply with the aforesaid request after having been offered such security and indemnity, the holders of not less than twenty per cent (20%) in principal amount of the Obligations then Outstanding may call a meeting of the holders of Obligations for the purpose of electing an Owners' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of holders of Obligations pursuant to Article XI of this Resolution. At such meeting the holders of not less than a majority of the principal amount of the Obligations then Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at the meeting, the holders of Obligations present in person or by proxy may, by the votes cast by the holders of a majority in principal amount of the Obligations so present in person or by proxy, elect one or more persons who may or may not be holders of Obligations to the Owners' Committee which shall act as trustee for all holders of Obligations. The holders of Obligations present in person or by proxy at such meeting, or at any adjourned meeting thereof, shall prescribe the manner in which the successors of the persons elected to the Owners' Committee at such meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the Owners' Committee of the powers conferred upon it herein, and may provide for the termination of the existence of the Owners' Committee. The Owners' Committee may, with the consent of the holders of more than fifty per cent (50%) of the principal amount of Obligations Outstanding, remove the Trustee. After the removal of the Trustee pursuant to the provisions of this Section 10.5 and prior to the appointment of a successor Trustee pursuant to the provisions of Section 7.1 of this Resolution, the members of the Owners' Committee elected by the holders of Obligations in the manner herein provided, and their successors, as a committee will be deemed to be trustees for the holders of all the Obligations then Outstanding, and may exercise in the name of the Owners' Committee as trustee, all the rights and powers conferred in this Article X on the Trustee or the holder of any Obligation.

Nothing in the Resolution or in the Obligations shall affect or impair the obligation of the Authority to pay at the respective dates of maturity and places therein expressed the principal of and premium, if any, and interest on the Obligations to the respective holders thereof in accordance with the terms and conditions thereof and of this Resolution, or affect or impair the rights of action, which are absolute and unconditional, of any holder to enforce the payment of his Obligations in accordance with the terms and conditions thereof and of this Resolution, or to institute action upon and reduce to judgment his claim against the Authority for the payment of the principal and interest on his Obligations, without reference to, or consent of, the Trustee or any other holder of Obligations.

SECTION 10.6. Remedies Not Exclusive. No remedy by the terms of this Resolution conferred upon or reserved to the Trustee or the holders of the Obligations is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity or by statute on or after the date of adoption of this Resolution.

SECTION 10.7. Waivers of Default. No delay or omission of the Trustee or of any holder of Obligations to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article X to the Trustee or to the holders of Obligations may be exercised from time to time and as often as may be deemed expedient by the Trustee or by such holders.

Prior to a declaration accelerating the maturity of the Obligations as provided in Section 10.1 of this Resolution the holders of not less than sixty-six and two-thirds per cent (66 2/3%) in principal amount of the Obligations at the time Outstanding, or their attorney-in-fact duly authorized, may on behalf of the holders of all of the Obligations waive any past default under this Resolution and its consequences, except a default in the payment of the principal of and premium, if any, and interest on any of the Obligations. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 10.8. Waiver of Extension of Laws. The Authority will not at any time insist upon or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution, or in the Obligations, but all benefit or advantage of any such law or laws is hereby expressly waived by the Authority.

SECTION 10.9. Notice of Events of Default. The Trustee shall, within ninety (90) days after the occurrence of an Event of Default, give to the holders of Obligations, in the manner provided in Section 11.2 of this Resolution, notice of all defaults known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purpose of this Section 10.9 being hereby defined to be any Event or Events of Default specified in Section 10.1 of this Resolution); provided that, except in the case of default in the payment of principal (whether at maturity or date of mandatory redemption) of and premium, if any, and interest on any of the Obligations, the Trustee shall be protected in withholding such notice if and so long as its board of directors, the executive committee, or a trust committee in good faith determines that the withholding of such notice is in the interests of the holders of Obligations.

ARTICLE XI

AMENDMENTS AND OWNERS' MEETINGS

SECTION 11.1 Owners' Meetings. The Authority, the Trustee or the holders of not less than twenty per cent (20%) in principal amount of the Obligations then Outstanding may at any time call a meeting of the holders of the Obligations. Every such meeting shall be held at such place as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted, shall be mailed to the holders of Obligations by the Authority, the Trustee or the holders of Obligations calling such meeting not less than thirty (30) nor more than sixty (60) days before such meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. The expenses of such notice shall be paid or reimbursed by the Authority. Any meeting of holders of Obligations shall, however, be valid without notice if the holders of all Obligations then Outstanding are present in person or by proxy or if notice is waived before or within thirty (30) days after the meeting by those not so present.

SECTION 11.2. Notices to Owners. Except as otherwise provided in this Resolution, any provision in this Resolution for the mailing of a notice or other paper to holders of Obligations shall be fully complied with if (a) it is mailed postage prepaid (i) to each registered owner of any of the Obligations then Outstanding at the owner's address, if any, appearing upon the registry books of the Authority, and (ii) to the Trustee, and (b) any pertinent additional requirements of any Series Resolution are satisfied.

SECTION 11.3. Proof of Ownership of Obligations; Proxies; Execution of Instruments by Owners. Attendance and voting by holders of Obligations at such meeting may be in person or by proxy. Holders of Obligations may, by an instrument in writing bearing their signature, appoint any person or persons with full power of substitution, as their proxy to vote at any meeting for them.

The holder of any Obligation shall be entitled in person or by proxy to attend and vote at such meeting as holder of the Obligations registered in his name without producing such Obligations, and such persons and their proxies shall, if required, produce such proof of personal identify as shall be satisfactory to the Secretary of the meeting. All proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. All other persons seeking to attend or vote in such meeting must produce the Obligations claimed to be owned or represented at such meeting.

The vote at any such meeting of the holders of any Obligations entitled to vote thereat shall be binding upon such holders and upon every subsequent holder of such Obligations whether or not such subsequent holder has notice thereof.

Any request, direction, consent or other instrument in writing required or permitted by this

Resolution to be signed or executed by holders of Obligations may be in any number of concurrent instruments of similar tenor and may be signed or executed by such holders of Obligations in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Resolution, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner: The fact and date of the execution by any person of any such instrument may be proved by either (a) an acknowledgement executed by a notary public or other officer empowered to take acknowledgements of deeds to be recorded in the particular jurisdiction, or (b) an affidavit of a witness to such execution sworn to before such a notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such acknowledgement or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the holder of any Obligation shall bind every future holder of the same Obligation in respect of anything done by the Trustee in pursuance of such request, direction or consent.

The right of a proxy for the holder of any Obligation to act may be proved, subject to the Trustee's right to require additional proof, by a written proxy executed by such holder as aforesaid.

SECTION 11.4. Officers of Owners' Meetings. Persons named by the Trustee, or elected by the holders of a majority in principal amount of the Obligations represented at the meeting in person or by proxy in the event the Trustee is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of holders of Obligations. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the holders of a majority in principal amount of the Obligations represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chairman and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting, the Authority and the Trustee their verified report of all such votes cast at the meeting.

SECTION 11.5. Quorum at Owners' Meetings. The holders of not less than the principal amount of the Obligations required for any action to be taken at such meeting must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting; provided, however, that, if such meeting is adjourned by less than a quorum for more than ten (10) days, notice thereof shall be mailed to each registered owner by the Authority to the holders of Obligations at least seven (7) days prior the adjourned date of the meeting and also given in such manner and times as may be prescribed in any Series Resolution.

SECTION 11.6. Vote Required to Amend Resolution. With the consent of the holders of

not less than a majority of the Obligations then Outstanding, such consent to be given by a resolution duly adopted at a meeting of holders of Obligations duly convened and held, or by written consent as hereinafter provided in Section 11.8 of this Resolution, the Authority from time to time and at any time, may adopt a resolution amending or supplementing the provisions of this Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Resolution or of any resolution supplemental hereto, or modifying in any manner the rights of the holders of the Obligations then Outstanding; provided, however, that, without the specific consent of the holder of each such Obligation which would be affected thereby, no such resolution amending or supplementing the provisions hereof shall: (a) extend the fixed maturity date for the payment of the principal of any Obligation, or reduce the principal amount of any Obligation, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Obligation may first be called for redemption prior to its fixed maturity date; (b) reduce the aforesaid percentage of Obligations, the holders of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (c) give to any Obligation or Obligations any preference over any Obligation secured hereby. A modification or amendment of the provisions of Article VI of this Resolution with respect to the Revenue Obligation Fund shall not be deemed a change in the terms of payment; provided, however, that no such modifications or amendment shall, except upon the consent of the holders of all Obligations then Outstanding affected thereby, reduce the amount or amounts required to be deposited in the Revenue Obligation Fund. Nothing contained in this Section, however, shall be construed as making necessary the approval by the holders of the Obligations of the adoption of any supplemental resolution authorized by Section 9.1 of this Resolution.

SECTION 11.7. Obtaining Approval of Amendments at Owners' Meetings. The Authority may at any time adopt a resolution amending the provisions of this Resolution to the extent that such amendment is permitted by the provisions of Section 11.6 of this Resolution, to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Corporate Secretary or Assistant Corporate Secretary of the Authority, shall be filed with the Trustee. At any time thereafter such resolution may be submitted by the Authority for approval to a meeting of the holders of Obligations duly convened and held in accordance with the provisions of this Resolution. A record in duplicate of the proceedings of each meeting of the holders of Obligations shall be prepared by the permanent Secretary of the meeting and shall have attached thereto the original reports of the Inspectors of Votes and affidavits by a person or persons having knowledge of the facts, showing a copy of the notice of the meeting and setting forth the facts with respect to the mailing and publication thereof under the provisions of this Resolution. Such a record shall be signed and verified by the affidavits of the permanent Chairman and the permanent Secretary of the meeting, and one duplicate thereof shall be delivered to the Authority and the other to the Trustee for preservation by the Trustee. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the Authority making such amendment shall be approved by a resolution duly adopted at such meeting of holders of Obligations by the affirmative vote of the holders of the required percentage of Outstanding Obligations specified in Section 11.6 of this Resolution, a notice stating that a resolution approving such amendment has been so adopted shall be mailed by the Authority to the holders of Obligations, provided, however,

that failure so to mail copies of such notice shall not affect the validity of such resolution. Proof of such mailing by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Trustee. Such resolution of the Authority making such amendment shall be deemed conclusively to be binding upon the Authority, the Trustee and the holders of all Obligations at the expiration of thirty (30) days after the mailing of the notice provided for in this Section, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the Trustee and the Authority during such thirty (30) day period and any such further period during which such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient. Nothing in this Resolution contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of holders of Obligations or of any right conferred hereunder to make such call, any hindrance or delay in the exercise of any rights conferred upon or reserved to the Trustee or the holders of Obligations under any of the provisions of this Resolution.

SECTION 11.8. Alternate Method of Obtaining Approval of Amendments of Resolution. The Board of Directors of the Authority may at any time adopt a resolution amending the provisions of this Resolution, or of any Obligations, to the extent that such amendment is permitted by the provisions of this Article, to take effect when and as provided in this Section. Upon adoption of such resolution, a copy thereof, certified by the Corporate Secretary or Assistant Corporate Secretary of the Authority, shall be delivered to and held by the Trustee for the inspection of the holders of Obligations. A copy of such resolution, or summary thereof in form approved by the Trustee together with a request to holders of Obligations for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to the holders of Obligations in compliance with the conditions in Section 11.2 of this Resolution; provided, however, that failure to mail copies of such resolution or summary thereof and request shall not affect the validity of the resolution when consented to as in this Section provided. Such resolution shall not be effective unless and until there shall have been filed with the Trustee the written consents of the holders of the required percentage of Outstanding Obligations specified in Section 11.6 of this Resolution and notice shall have been given as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 11.3 of this Resolution. A certificate or certificates of the Trustee that it has examined such proof and that such proof is sufficient shall be conclusive that the consents have been given by the holders of the Obligations described in such certificate or certificates. Any such consent shall be binding upon the holders of the Obligations giving such consent and on every subsequent holder of such Obligations, whether or not such subsequent holder has notice thereof, unless such consent is revoked in writing by the holder of such Obligations giving consent, or a subsequent holder, by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for is mailed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee. A notice stating that the resolution has been consented to by the holders of the required percentages of Obligations and will be effective as provided in this Section shall be given to the holders of Obligations by mailing such notice to the holders of Obligations, in compliance with the conditions

in Section 11.2 of this Resolution and by publication or other means if required by the pertinent provisions of any Series Resolution. The Authority shall file with the Trustee proof of giving such notice. A record, consisting of the papers required by this Section to be filed with the Trustee, shall be proof of the matters therein stated, and the resolution shall be deemed conclusively to be binding upon the Authority, the Trustee and the holders of all Obligations at the expiration of thirty (30) days after giving the notice last provided for in this Section, except in the event of a final decree of a court of competent jurisdiction setting aside such consent or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the Trustee and the Authority during such thirty (30) day period and any such further period during which such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient.

SECTION 11.9. Amendments With Approval of All Owners. Notwithstanding anything contained in the foregoing provisions of this Article, the rights and obligations of the Authority and of the holders of the Obligations, and the terms and provisions of the Obligations and of this Resolution, may be amended in any respect with the consent of the Authority, by the affirmative vote of the holders of all Obligations then Outstanding at a meeting of such holders called and held as hereinabove provided, or upon the adoption of a resolution by the Board of Directors of the Authority and the consent of the holders of all of the Obligations then Outstanding, such consent to be given as provided in Section 11.8 of this Resolution, except that no notice to such holders shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all of the holders of Obligations.

SECTION 11.10. Exclusion of Obligations Owned by Authority. Obligations owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any vote or consent or other action or any calculation of Outstanding Obligations in this Resolution provided for, and shall not be entitled to vote or consent to take any action in this Resolution provided for.

SECTION 11.11. Endorsement of Amendments on Obligations. Obligations delivered after the effective date of any action amending this Resolution taken as hereinabove provide may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case, upon demand of the holder of any Obligation Outstanding at such effective date and presentation of such Obligation for the purpose at the principal office of the Trustee, suitable notation shall be made on such Obligation by the Trustee as to any such action. If the Authority shall so determine, new Obligations so modified as in the opinion of the Authority and its counsel to conform to such holders' action shall be prepared, delivered and upon demand of the holder of any Obligation then Outstanding shall be exchanged without cost to such holder for Obligations then Outstanding hereunder, upon surrender of such Obligations.

ARTICLE XII

FORMS OF OBLIGATIONS, CERTIFICATE OF AUTHENTICATION AND ASSIGNMENT

The Obligations of each series, the Certificate of Authentication and the Assignment to appear on such Obligations shall, unless or except as is otherwise provided in the Series Resolution authorizing their issuance, be in substantially the forms set forth in Exhibit A attached hereto and made a part hereof, with such modifications, combinations, variations, additions and deletions as may be necessary or advisable to reflect the details and purpose of issuance of such Obligations, the provisions of this Resolution and the Series Resolution authorizing the same, or are otherwise required or permitted by the provisions of this Resolution.

ARTICLE XIII

DEFEASANCE; OBLIGATIONS NO LONGER DEEMED OUTSTANDING HEREUNDER

The obligations of the Authority under this Resolution (including all resolutions supplemental hereto), and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority herein or therein made or provided for, shall be fully discharged and satisfied as to any Obligation, and such Obligation shall no longer be deemed to be Outstanding hereunder and thereunder, if such Obligation shall have been cancelled, or surrendered for cancellation or subject to cancellation, or as to any Obligation not theretofore cancelled, surrendered for cancellation or subject to cancellation, when payment of the principal and the applicable redemption premium, if any, on such Obligation, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as provided in Section 10.1 of this Resolution, or otherwise), (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee for such Obligation, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Permitted Investments, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and such Obligation shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of such payment, such Obligation shall no longer be secured by or entitled to the benefits of this Resolution; provided that, with respect to Obligations to be redeemed or prepaid prior to their stated maturities, notice of such redemption or prepayment shall have been given as provided in Section 4.3 of this Resolution, or irrevocable provision shall have been made for the giving of such notice.

Any such moneys so deposited with the Trustee as provided in this Section may at the direction of the Authority be invested and reinvested in Permitted Investments maturing in the amounts and times as hereinbefore set forth, and all income from all such Permitted Investments in the hands of the Trustee which does not represent a return of principal or capital invested and which is not required for the payment of the Obligations and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the Authority as and when realized and collected.

If any Obligation shall not be presented for payment when the principal thereof shall become due, whether at maturity or upon redemption or prepayment or by declaration as provided in this Resolution or otherwise, and if moneys or Permitted Investments shall have been deposited in accordance with the terms hereof with the Trustee in trust for that purpose sufficient and available to pay the principal and premium, if any, of such Obligation, together with all interest due on such Obligation to the due date thereof or to the date fixed for the redemption or prepayment thereof, as the case may be, all liability of the Authority for such payment shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such moneys or such Permitted Investments, without liability to the holder of such Obligation for interest thereon, in trust for the benefit of the holder of such Obligation, who thereafter shall be restricted exclusively to said moneys or said Permitted Investments for any claim for such payment of whatsoever nature on his part.

Notwithstanding any provision of Article VI of this Resolution, or of any other Article of this Resolution, which may be contrary to the provisions of this Section or Section 14.2 of this Resolution, all moneys or Permitted Investments set aside and held in trust pursuant to the provisions of this Section and Section 14.2 of this Resolution for the payment of Obligations (including interest and premium thereof, if any) shall be applied to and used solely for the payment of the particular Obligations (including interest and premium thereon, if any) with respect to which such moneys and Permitted Investments have been so set aside in trust.

Anything in Articles IX or XI of this Resolution to the contrary notwithstanding, if moneys or Permitted Investments have been deposited or set aside with the Trustee pursuant to this Article XIII for the payment of Obligations and such Obligations shall not have in fact been actually paid in full, no amendment to the provisions of this Article XIII or of Section 14.2 of this Resolution shall be made without the consent of the holder of each Obligation affected thereby.

The Authority may at any time surrender to the Trustee for cancellation by it any Obligations previously executed and delivered, which the Authority may have acquired in any manner whatsoever, and such Obligations upon such surrender for cancellation shall be deemed to be paid and no longer Outstanding hereunder.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1. Resolution and Laws a Contract with Owners. This Resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of South Carolina. In consideration of the purchase and acceptance of the Obligations by those who shall hold the same from time to time, the provisions of this Resolution and of such laws shall constitute a contract with the holder or holders of each Obligation, and the obligations of the Authority under such laws and under this Resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of such Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of said Obligations over any others thereof except as expressly provided herein.

SECTION 14.2. Moneys Held by Trustee Five Years After Due Date. Moneys or Permitted Investments held by the Trustee in trust for the payment and discharge of any of the Obligations which remain unclaimed for five (5) years after the date when such Obligations shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for five (5) years after the date of deposit of such moneys, if deposited with the Trustee after such date when such Obligations become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority as the Authority's property and free from the trust created by this Resolution, and the Trustee shall thereupon be released and discharged with respect thereto, and the holders of the Obligations payable from such moneys shall look only to the Authority for the payment of such Obligations.

SECTION 14.3. Benefits of Resolution Limited to Authority, Owners and Trustee. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation other than the Authority, the Trustee and the holders of the Obligations any rights, remedies or claims under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee and the holders of the Obligations.

SECTION 14.4. Severability. If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority to be performed shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Obligations issued hereunder.

SECTION 14.5. Article and Section Headings; Table of Contents. The headings or titles of the several Articles and Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning or construction, interpretation or effect of this Resolution.

SECTION 14.6. Effective Date of Resolution. This Resolution shall be in effect from and after its passage.

Exhibit C

2016C Series Resolution

santee cooper

Elizabeth Henry Warner
Vice President of Legal Services
and Corporate Secretary
(843) 761-7044
fax: (843) 761-4149
ehwarner@santeecooper.com

CERTIFICATE

I, the undersigned Corporate Secretary of South Carolina Public Service Authority (the "Authority"), hereby certify:

1. I am the duly appointed and acting Corporate Secretary of the Authority and the recorder and custodian of its official records.

2. Attached hereto is a true, correct, and verbatim copy of a resolution (the "Resolution") duly enacted by the Authority, having been read at a special meeting of the Authority on July 22, 2016, at which meeting a quorum was present and remained throughout and which meeting was open to the public.

3. An agenda showing the time and place of the meeting, and including the consideration of the Resolution, was posted in the administrative offices of the Authority, was posted on the Authority's website, and was provided to news media and other persons requesting notice of Authority meetings, in each case at least 24 hours prior to the commencement of the meeting.

4. As of the date hereof, the Resolution has not been amended, modified or rescinded and remains in full force and effect.

In witness whereof, I have affixed my signature and corporate seal of the Authority this 1st day of August, 2016.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Elizabeth Henry Warner
Corporate Secretary

(SEAL)

FORTY-FIFTH SERIES AND SUPPLEMENTAL RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY SUPPLEMENTING A RESOLUTION OF THE SAID BOARD OF DIRECTORS ADOPTED APRIL 26, 1999 ENTITLED: "RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ESTABLISHING THE GENERAL TERMS AND CONDITIONS UPON WHICH ITS REVENUE OBLIGATIONS MAY BE ISSUED FOR CORPORATE PURPOSES OF THE AUTHORITY" AND AUTHORIZING THE ISSUANCE OF $52,400,000 SOUTH CAROLINA PUBLIC SERVICE AUTHORITY REVENUE OBLIGATIONS, 2016 TAX-EXEMPT REFUNDING SERIES C, PURSUANT AND SUBJECT TO THE TERMS, CONDITIONS AND LIMITATIONS OF THE SAID RESOLUTION.

WHEREAS, South Carolina Public Service Authority by a resolution (the "Master Resolution") of its Board of Directors (the "Board") adopted April 26, 1999 entitled: "RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ESTABLISHING THE GENERAL TERMS AND CONDITIONS UPON WHICH ITS REVENUE OBLIGATIONS MAY BE ISSUED FOR CORPORATE PURPOSES OF THE AUTHORITY" (such Master Resolution, as amended and supplemented from time to time and, unless the context shall clearly indicate otherwise, including all Series Resolutions and Supplemental Resolutions, being hereinafter called the "Resolution") created and established an issue of obligations of the Authority unlimited in amount to be known and designated as "South Carolina Public Service Authority Revenue Obligations," for any corporate purposes of the Authority; and

WHEREAS, Obligations may be issued in series pursuant to and subject to the terms, conditions and limitations of the Resolution in such amounts and from time to time as may be determined by the Authority; and

WHEREAS, the Resolution provides that each series of Obligations shall be authorized by a Series Resolution of the Authority; and

WHEREAS, the Authority has now determined that it is in the interest of the public to provide for the issuance of the $52,400,000 South Carolina Public Service Authority Revenue Obligations, 2016 Tax-Exempt Refunding Series C, hereinafter described and authorized for the purpose of funding a portion of the costs, including costs of issuance, of refunding the Refunded Bonds hereinafter defined; and

WHEREAS, the Board has considered and appropriately balanced the factors set forth in Section 58-31-55(A)(3) of the Enabling Act and has determined that the actions taken in this 2016C Series Resolution are in the best interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of South Carolina Public Service Authority in meeting duly assembled, as follows:

ARTICLE I
DEFINITIONS; FINDINGS AND DETERMINATIONS

Section 1.01 Definitions.

Unless the context shall clearly indicate otherwise, the terms used in this 2016C Series Resolution, including the preambles and appendices hereto, which are defined in the Resolution shall have the meanings set forth therein.

As used in this 2016C Series Resolution, including the preambles and appendices hereto, unless the context shall clearly indicate otherwise, the following words and phrases shall have the meanings hereinafter set forth:

(a) "Interest Payment Date" shall mean any June 1 or December 1, commencing June 1, 2017.

(b) "Paying Agent" shall mean The Bank of New York Mellon Trust Company, N.A., acting as Paying Agent for the 2016C Bonds.

(c) "Refunded Bonds" means the Authority's obligations described in Exhibit A attached hereto.

(d) "2016C Bonds" shall mean the Obligations described as $52,400,000 South Carolina Public Service Authority Revenue Obligations, 2016 Tax-Exempt Refunding Series C, authorized by this 2016C Series Resolution to be issued pursuant to and subject to the terms, conditions and limitations of the Resolution.

(e) "2016C Series Resolution" shall mean this Forty-Fifth Series and Supplemental Resolution.

Section 1.02 Findings and Determinations.

The Authority hereby finds and determines that the Authority is not in default under any provisions of the Resolution.

ARTICLE II
AUTHORIZATION, TERMS AND PAYMENT PROVISIONS FOR 2016C BONDS

Section 2.01 Authorization of 2016C Bonds.

(a) Pursuant to the Enabling Act, in order to refund the Refunded Bonds, there shall be issued South Carolina Public Service Authority Revenue Obligations, 2016 Tax-Exempt Refunding Series C, in the aggregate principal amount of $52,400,000. The 2016C Bonds shall

be dated the date of their delivery, shall be issued in fully registered form in denominations of $5,000 or any integral multiple thereof and shall mature on December 1 in the years and amounts, bear interest at the rates, and be sold at the prices equal to the percentage of the face amount of such 2016C Bonds, set forth below:

Year	Principal Amount	Interest Rate	Price	Year	Principal Amount	Interest Rate	Price
2022	$2,040,000	5.00%	119.979	2030	$ 3,010,000	5.00%	122.655*
2023	2,140,000	5.00	121.778	2031	3,160,000	5.00	122.254*
2024	2,245,000	5.00	123.427	2032	3,320,000	4.00	110.427*
2025	2,360,000	5.00	124.643	2033	3,450,000	5.00	121.157*
2026	2,475,000	5.00	125.720	2034	3,625,000	5.00	120.761*
2027	2,600,000	5.00	124.586*	2035	12,015,000	5.00	120.662*
2028	2,730,000	5.00	123.464*	2036	4,365,000	3.00	96.756
2029	2,865,000	5.00	122.958*				

*Priced to December 1, 2026 call

(c) The Authority finds that the sale of such 2016C Bonds at such prices set forth above is the most advantageous method of marketing the 2016C Bonds.

Section 2.02 Payment of 2016C Bonds.

The principal of the 2016C Bonds shall be payable in legal tender upon presentment and surrender thereof at the office of The Bank of New York Mellon Trust Company, N.A., which is hereby appointed as Paying Agent, in the City of East Syracuse, New York. Interest on the 2016C Bonds shall be paid by the Paying Agent on each June 1 and December 1 beginning June 1, 2017, to the person whose name appears on the registration books kept by the Registrar as the registered owner thereof as of the 15th day (whether or not a business day) of the calendar month next preceding the Interest Payment Date, by check or draft drawn upon the Trustee and mailed to such registered owner at his address as it appears on such books (or, in the case of registered owners of 2016C Bonds in an aggregate principal amount of not less than $1,000,000, interest payable on such 2016C Bonds shall be paid to an account within the Continental United States in accordance with the wire transfer instructions provided by such registered owner).

Section 2.03 Optional Redemption of 2016C Bonds.

The 2016C Bonds maturing on and after December 1, 2027, are redeemable at the option of the Authority on or after December 1, 2026, in whole or in part at any time in any order of maturity to be determined by the Authority, at the price of par plus accrued interest, if any, to the redemption date.

Section 2.04 [Reserved]

Section 2.05 Selection of 2016C Bonds for Redemption; Notice of Redemption.

(a) Whenever less than all of the Outstanding 2016C Bonds of a maturity are to be redeemed on any one date, the Trustee shall select the 2016C Bonds to be redeemed from the Outstanding 2016C Bonds of such maturity by lot (provided that so long as the 2016C Bonds shall remain immobilized at The Depository Trust Company, New York, New York ("DTC"), such 2016C Bonds shall be selected in such manner as DTC shall determine). Notice of any redemption shall be given as provided in Section 4.3 of the Resolution.

(b) Notice of redemption shall be given by first-class mail by the Trustee to the holders of any 2016C Bonds designated for redemption in whole or in part not less than 20 nor more than 60 days prior to the redemption date. Each notice of redemption shall state the redemption date, the redemption place and the redemption price, and shall designate the numbers of the 2016C Bonds to be redeemed (if called for redemption in part only), state the portion of the principal amount thereof which is to be redeemed, and shall state that the interest thereon or portions thereof designated for redemption shall cease to accrue from and after such redemption date and that on such redemption date there will become due and payable on each of the 2016C Bonds or portions thereof designated for redemption the redemption price thereof. The failure to mail such notice with respect to any 2016C Bonds shall not affect the validity of the proceedings for the redemption of any other 2016C Bonds with respect to which notice was so mailed.

Any notice of optional redemption of 2016C Bonds may state that it is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such 2016C Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of 2016C Bonds as promptly as practical upon the failure of such condition or the occurrence of such event.

Section 2.06 Execution and Form of 2016C Bonds.

The 2016C Bonds shall be executed and authenticated in the manner provided in the Resolution.

CUSIP identification numbers may be printed on the 2016C Bonds, but such numbers shall not be deemed to be a part of the 2016C Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the Authority or any of the officers or agents thereof because of or on account of such CUSIP identification numbers.

The 2016C Bonds shall be substantially in the form attached hereto as Exhibit B and shall be with such modifications, combinations, variations, additions and deletions as may be necessary or advisable to reflect the details and purpose of the issuance of the 2016C Bonds, the provisions of the Resolution and this 2016C Series Resolution or otherwise required or permitted by the provisions of the Resolution.

Section 2.07 Book-Entry System; Recording and Transfer of Ownership of 2016C Bonds.

Unless and until the book-entry-only system described in this Section 2.07 has been discontinued, the 2016C Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. DTC will act as securities depository for the 2016C Bonds, and the ownership of one fully registered 2016C Bond for each maturity of the 2016C Bonds, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

Purchases of 2016C Bonds under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants in accordance with rules specified by DTC. Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's ownership interest in the 2016C Bonds. The ownership interest of each actual purchaser of a 2016C Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant or persons acting through DTC Participants (the "Indirect Participants"). Transfers of ownership interests in the 2016C Bonds will be accomplished only by book entries made by DTC and, in turn, by DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners of the 2016C Bonds will not receive nor have the right to receive physical delivery of 2016C Bonds, and will not be or be considered to be holders thereof under the Resolution, except as specifically provided in the event the book-entry system is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2016C Bonds, references in this 2016C Series Resolution to the holders or registered owners of the 2016C Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners. The Authority, the Trustee, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2016C Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the 2016C Bonds, giving any notice permitted or required to be given to Owners under the Resolution, registering the transfer of 2016C Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Authority, the Trustee, the Registrar and the Paying Agent shall not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2016C Bonds under or through DTC or any DTC Participant, or any other person which is not shown on the registration books kept by the Registrar as being an Owner, with respect to the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the principal of or interest or premium, if any, on the 2016C Bonds; any notice which is permitted or required to be given to Owners thereunder or under the conditions to transfers or exchanges adopted by the Authority or the Trustee; or any consent given or other action taken by DTC as an Owner.

Principal, premium, if any, and interest payments on the 2016C Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2016C Bonds. Payments by DTC Participants and Indirect Participants to Beneficial Owners of the 2016C Bonds will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Trustee, the Registrar, the Paying Agent or the Authority.

While the book-entry system is used for the 2016C Bonds, the Trustee will give any notice of redemption or any other notice required to be given to holders of the 2016C Bonds only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Indirect Participant, or of any DTC Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content and effect will not affect the validity of the redemption of the 2016C Bonds called for redemption or of any other action premised on such notice. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and in turn by DTC Participants and Indirect Participants to Beneficial Owners of the 2016C Bonds will be governed by arrangements among them.

Neither the Authority, the Trustee, the Registrar nor the Paying Agent will have any responsibility or obligation to such DTC Participants, or the persons for whom they act as nominees, with respect to payments actually made to DTC or its nominee, Cede & Co., as registered owner of the 2016C Bonds in book-entry form, or with respect to the providing of notice for the DTC Participants, the Indirect Participants, or the Beneficial Owners of the 2016C Bonds in book-entry form.

For every transfer and exchange of a beneficial ownership interest in the 2016C Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its service with respect to the 2016C Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. In addition, if the Authority determines that continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the 2016C Bonds or the Authority, the Authority may thereupon terminate the services of DTC with respect to the 2016C Bonds. Further, the Authority shall terminate the services of DTC with respect to the 2016C Bonds upon receipt by the Authority and the Trustee of written notice from DTC Participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding 2016C Bonds, to the effect that: (i) DTC is unable to discharge its responsibilities with respect to the 2016C Bonds; or (ii) a continuation of the system of book-entry-only transfers of the 2016C Bonds is not in the best interest of the Beneficial Owners of the 2016C Bonds. If for any such reason the system of book-entry-only transfers through DTC is discontinued, 2016C Bond certificates will be delivered as described in the Resolution in fully registered form in denominations of $5,000 or any integral multiple thereof in the names of Beneficial Owners or DTC Participants; provided, however, that in the case of any such discontinuance (other than as described in clause (ii) of the preceding sentence) the Authority may within 90 days thereafter appoint a substitute securities depository which, in the Authority's opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms.

In the event the book-entry system is discontinued, the persons to whom 2016C Bond certificates are delivered will be treated as "Owners" for all purposes of the Resolution, including the giving to the Authority or the Trustee of any notice, consent, request or demand

pursuant to the Resolution for any purpose whatsoever. In such event, the 2016C Bonds will be transferable to such Owners, interest on the 2016C Bonds will be payable by check or draft of the Trustee, as Paying Agent, mailed to such Owners, and the principal and redemption price of all 2016C Bonds will be payable at the principal corporate trust office of the Paying Agent.

ARTICLE III
DISPOSITION OF PROCEEDS

Section 3.01 Disposition of Proceeds of 2016C Bonds.

Proceeds of the 2016C Bonds net of costs of issuance shall be paid into an irrevocable escrow account (the "2016C Escrow Account") held by The Bank of New York Mellon Trust Company, N.A., or its successor in trust (the "2016C Escrow Agent") pursuant to the terms of an Escrow Agreement (the "2016C Escrow Agreement") between the Authority and the 2016C Escrow Agent. Moneys in the 2016C Escrow Account will be invested and applied to the payment of the principal of and interest on the Refunded Bonds, all as provided in the 2016C Escrow Agreement; provided that any proceeds of the 2016C Bonds which remain after the 2016C Escrow Account is fully funded shall be deposited into the Revenue Fund or Capital Improvement Fund and expended on capital improvements to the System within 180 days after the date of delivery of the 2016C Bonds.

It shall at all times be lawful to invest proceeds of the 2016C Bonds in Investment Securities.

Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority agrees that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

ARTICLE IV
MISCELLANEOUS PROVISIONS

Section 4.01 Tax Covenant

(a) The Authority covenants and agrees that it shall not take or omit to take any action which would cause interest on any 2016C Bond to be included in the gross income of any Owner thereof for federal income tax purposes by reason of subsection (b) of Section 103 of the Code, as in effect as of the date of initial issuance and delivery of the 2016C Bonds. Without limiting the generality of the foregoing, no part of the proceeds of any 2016C Bond or any other funds of the Authority shall be used directly or indirectly (i) so as to cause such 2016C Bond to be a "private activity bond" as defined in Section 141(a) of the Code, or (ii) to acquire any securities or obligations the acquisition of which would cause any 2016C Bond to be an "arbitrage bond" as defined in Section 148 of the Code and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section.

The Treasurer of the Authority is authorized to execute and deliver for and on behalf of the Authority, upon the initial issuance of the 2016C Bonds and thereafter, representations, statements of intention and reasonable expectations and certifications of fact in furtherance of this covenant.

(b) Notwithstanding any other provision of the Resolution to the contrary, upon the Authority's failure to observe, or refusal to comply with, the covenants in paragraph (a) above, the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, and shall not be entitled to any other rights and remedies provided under Article X of the Master Resolution.

Section 4.02 The 2016C Bonds Are "Obligations" Under the Resolution.

This 2016C Series Resolution is adopted pursuant to Article II of the Resolution, and the 2016C Bonds are hereby found and determined to be "Obligations" as such term is defined and used in the Resolution.

Section 4.03 Award of 2016C Bonds; Execution of Additional Documents.

The Authority hereby awards the 2016C Bonds to Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs & Co., Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, US Bank, National Association, and Wells Fargo Bank, National Association (collectively, the "Purchasers"), at and for a price of $62,299,765.08. The execution and delivery by the President and Chief Executive Officer or any Executive Vice President or Senior Vice President of the Authority on behalf of the Authority of the Forward Delivery Bond Purchase Agreement (the "Bond Purchase Agreement") with the Purchasers attached hereto as Exhibit C is hereby authorized and confirmed. The Treasurer of the Authority is authorized and directed on behalf of the Authority to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee substantially in the form attached hereto as Exhibit D, and the 2016C Escrow Agreement substantially in the form attached hereto as Exhibit E.

Section 4.04 Official Statement and Updated Official Statement.

The execution and delivery to the Purchasers by the President and Chief Executive Officer or any Executive Vice President of the Authority of the Official Statement in connection with the 2016C Bonds (the "Official Statement") and the Updated Official Statement (as such term is defined in the Bond Purchase Agreement) is hereby authorized and confirmed, and the Board hereby authorizes such Official Statement and Updated Official Statement and the information contained therein to be used in connection with the sale of the 2016C Bonds.

Section 4.05 Preliminary Official Statement; Ratification of Action.

The form and content of the Preliminary Official Statement dated June 22, 2016, as supplemented July 15, 2016, and the distribution thereof, the distribution of the Official

Statement, and all actions and proceedings heretofore taken by the Board and the agents, attorneys and employees of the Authority in connection with the qualification, issuance and sale of the 2016C Bonds are hereby ratified and confirmed.

Section 4.06 Execution of Closing Documents and Certificates.

The Chairman, President and Chief Executive Officer, any Executive Vice President or Senior Vice President, the Corporate Secretary, and the Treasurer are fully authorized and empowered to take such further action and to execute and deliver such closing documents and certificates as may be necessary and proper in order to complete the issuance of the 2016C Bonds herein authorized, and the action of such officers or any one or more of them in executing and delivering any of such documents, in such form as he or they shall approve, is hereby fully authorized.

Section 4.07 Electronic Means.

The Trustee shall have the right to accept and act upon instructions or directions delivered using Electronic Means (as such term is defined below); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's understanding of such directions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such directions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances. "Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority agrees that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 4.08 Continuing Disclosure.

The Authority covenants that it will file with a central repository for availability in the secondary bond market when requested:

(a) an annual independent audit, within thirty (30) days of the Authority's receipt of the audit; and

(b) event specific information, within thirty (30) days of an event adversely affecting more than five percent (5%) of the Authority's revenue.

The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Resolution, failure of the Authority to comply with any of the Continuing Disclosure Agreement shall not be considered an Event of Default under the Resolution. However, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the holders of at least 25% aggregate principal amount of applicable Outstanding 2016C Bonds and upon receiving indemnification satisfactory to the Trustee, shall), or any holder or Beneficial Owner of 2016C Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement.

Section 4.09 Severability.

If any one or more of the covenants or agreements provided in this 2016C Series Resolution on the part of the Authority to be performed shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, or agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2016C Series Resolution or of the 2016C Bonds authorized and issued hereunder.

Section 4.10 Effective Date of 2016C Series Resolution.

This 2016C Series Resolution shall become effective in accordance with its terms upon filing with the Trustee a certified copy hereof and an opinion of counsel for the Authority that it has been duly adopted and the provisions thereof are valid and binding upon the Authority.

Section 4.11 Section Headings.

The headings or titles of the several sections hereof shall be solely for the convenience of reference and shall not affect the meaning or construction, interpretation or effect of this 2016C Series Resolution.

Exhibit D

Revenue Obligations, 2016 Tax-Exempt Refunding Series C

NEW ISSUE -- Book Entry

In the opinion of Bond Counsel, assuming continued compliance by the Authority with certain covenants, interest on the 2016C Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the 2016C Bonds is not an item of tax preference in computing the alternative minimum taxable income of individuals or corporations. Interest on the 2016C Bonds will, however, be included in the computation of certain taxes including alternative minimum tax for corporations. See "TAX MATTERS" for a description of certain other federal income tax consequences to certain recipients of interest on the 2016C Bonds. The 2016C Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

$52,400,000

South Carolina Public Service Authority

santee cooper®

Revenue Obligations, 2016 Tax-Exempt Refunding Series C

Dated: Date of Delivery **Due:** As shown on the inside cover

Interest on the Revenue Obligations, 2016 Tax-Exempt Refunding Series C (the "2016C Bonds") is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017. The 2016C Bonds will be issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the 2016C Bonds under a book-entry only system as described herein, pursuant to which principal and interest payments on the 2016C Bonds will be made. Individual purchases of beneficial interests may be made in book-entry only form, in the principal amount of $5,000 or any integral multiple thereof for the 2016C Bonds. Beneficial owners of the 2016C Bonds will not receive physical delivery of bond certificates.

The 2016C Bonds are subject to optional redemption prior to maturity as described herein.

The 2016C Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues and moneys in the Revenue Fund of the South Carolina Public Service Authority (the "Authority") on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution.

For a discussion regarding the delayed delivery of the 2016C Bonds, certain conditions to the Underwriters' obligation to purchase the 2016C Bonds and certain risks to purchasers of beneficial interests in the 2016C Bonds resulting from the delayed delivery thereof, see "DESCRIPTION OF THE 2016C FORWARD DELIVERY BOND PURCHASE AGREEMENT."

The 2016C Bonds are being issued to refinance a portion of the outstanding debt of the Authority and to pay costs of issuance of the 2016C Bonds. See "REFUNDING PLAN".

The 2016C Bonds are not indebtedness of the State of South Carolina (the "State"), nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority pledged to the payment thereof.

The 2016C Bonds are offered when, as and if issued and accepted by the Underwriters pursuant to the terms of a Forward Delivery Bond Purchase Agreement, subject to the approval of legality by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the Authority by J. Michael Baxley, Sr., its Senior Vice President and General Counsel. Certain legal matters will be passed upon for the Underwriters by the McNair Law Firm, P.A., Columbia, South Carolina, Counsel to the Underwriters. It is expected that delivery of the 2016C Bonds will be made on or about October 13, 2016.

Barclays **BofA Merrill Lynch**

Goldman, Sachs & Co. **Morgan Stanley**

J.P. Morgan **US Bancorp** **Wells Fargo Securities**

October 6, 2016

$52,400,000
South Carolina Public Service Authority
Revenue Obligations, 2016 Tax-Exempt Refunding Series C

Due Dec. 1,	Amount	Interest Rate	Price or Yield	CUSIP
2022	$2,040,000	5.00%	1.57%	837151RX9
2023	2,140,000	5.00	1.74	837151RY7
2024	2,245,000	5.00	1.88	837151RZ4
2025	2,360,000	5.00	2.03	837151SA8
2026	2,475,000	5.00	2.16	837151SB6
2027	2,600,000	5.00	2.27*	837151SC4
2028	2,730,000	5.00	2.38*	837151SD2
2029	2,865,000	5.00	2.43*	837151SE0
2030	3,010,000	5.00	2.46*	837151SF7
2031	3,160,000	5.00	2.50*	837151SG5
2032	3,320,000	4.00	2.81*	837151SH3
2033	3,450,000	5.00	2.61*	837151SJ9
2034	3,625,000	5.00	2.65*	837151SK6
2035	12,015,000	5.00	2.66*	837151SL4
2036	4,365,000	3.00	96.756	837151SM2

*Yield to December 1, 2026 call date.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
One Riverwood Drive
Moncks Corner, South Carolina 29461
(843) 761-8000

ADVISORY BOARD

Governor NIKKI HALEY

Attorney General ALAN WILSON

State Treasurer CURTIS M. LOFTIS, JR.

Comptroller General RICHARD ECKSTROM

Secretary of State MARK HAMMOND

DIRECTORS

W. LEIGHTON LORD III, *Chairman*	STEPHEN H. MUDGE
WILLIAM A. FINN, *First Vice Chairman*	PEGGY H. PINNELL
BARRY D. WYNN, *Second Vice Chairman*	DAN J. RAY
KRISTOFER D. CLARK	ALFRED L. REID, JR.
MERRELL W. FLOYD	DAVID F. SINGLETON
J. CALHOUN LAND IV	JACK F. WOLFE, JR.

EXECUTIVE MANAGEMENT

LONNIE N. CARTER	PRESIDENT AND CHIEF EXECUTIVE OFFICER
MARC R. TYE	EXECUTIVE VICE PRESIDENT, COMPETITIVE MARKETS AND GENERATION
JEFFREY D. ARMFIELD	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
DOM MADDALONE	SENIOR VICE PRESIDENT, INFORMATION SYSTEMS AND CHIEF INFORMATION OFFICER
ARNOLD R. SINGLETON	SENIOR VICE PRESIDENT, POWER DELIVERY
PAMELA J. WILLIAMS	SENIOR VICE PRESIDENT, CORPORATE SERVICES

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.	Jacksonville, Florida

BOND COUNSEL

Haynsworth Sinkler Boyd, P.A.	Charleston, South Carolina

FINANCIAL ADVISOR

Public Financial Management, Inc.	Charlotte, North Carolina

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No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to the 2016C Bonds other than the information and representations contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2016C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2016C BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE 2016C BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the 2016C Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

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Official Statement
relating to
$52,400,000
South Carolina Public Service Authority

Revenue Obligations, 2016 Tax-Exempt Refunding Series C

INTRODUCTION

General

The purpose of this Official Statement is to set forth information concerning the South Carolina Public Service Authority (the "Authority") Revenue Obligations, 2016 Tax-Exempt Refunding Series C (the "2016C Bonds) offered hereby.

The summary of the Revenue Obligation Resolution (hereinafter defined) herein contained is made subject to all of the provisions of such document, and such summary does not purport to be complete statements of such provisions. Reference is hereby made to such document for further information in connection therewith. Copies of such document may be examined at the main office of the Authority in Moncks Corner, South Carolina, and at the office of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. The REPORT OF THE COMPANY'S FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS is attached as Appendix I to this Official Statement.

Defined terms not herein defined are defined in Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

The Authority

The Authority is a body corporate and politic created by Act No. 887 of the Acts of the State of South Carolina (the "State") for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended -- Sections 58-31-10 through 58-31-450) (the "Act"), which, among other things, authorizes the Authority to produce, distribute and sell electric power and to acquire, treat, transmit, distribute and sell water at wholesale within the counties of Berkeley, Calhoun, Charleston, Clarendon, Colleton, Dorchester, Orangeburg and Sumter, South Carolina. The Authority owns and operates the Lake Moultrie Regional Water System and the Lake Marion Regional Water System. Under current State law and by contract, each of the regional water systems is required to be self supporting. The Authority began electric power operations in 1942. The commercial operation of the Lake Moultrie Regional Water System began in October 1994 and the Lake Marion Regional Water System began commercial operation in May 2008.

Authorization of 2016C Bonds

The 2016C Bonds are issued pursuant to a resolution adopted by the Authority's Board of Directors on April 26, 1999, as amended and supplemented from time to time (the "Revenue Obligation Resolution"). The 2016C Bonds now being offered and all obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution (collectively, the "Revenue Obligations") are on a parity with each other. The Revenue Obligations are secured by a lien upon and pledge of the Revenue Fund and the revenues of the Authority's System and other moneys paid into the Revenue Fund (the "Revenues"). See "SECURITY FOR THE 2016C BONDS." By supplemental resolution duly adopted, the Authority authorized the issuance of the 2016C Bonds.

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Indebtedness of the Authority

Revenue Obligations. Pursuant to the Act, the Board of Directors of the Authority adopted the Revenue Obligation Resolution providing for the issuance of the Authority's Revenue Obligations. As of August 31, 2016 there was outstanding approximately $7,820,000,000 aggregate principal amount of Revenue Obligations.

Commercial Paper Notes. In addition, the Authority has issued indebtedness evidenced by commercial paper notes (the "Commercial Paper Notes"). As of August 31, 2016 there was outstanding $490,056,000 of Commercial Paper Notes. The lien and pledge of Revenues securing such Commercial Paper Notes is junior to that securing the Revenue Obligations.

The Board of Directors of the Authority has by resolution authorized the issuance of Commercial Paper Notes not to exceed the lesser of (i) 20% of the aggregate Authority debt outstanding as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available or (ii) the aggregate unused commitment of the Banks (hereinafter defined) (i.e., the commitment minus any loans outstanding under the revolving credit agreements) under any revolving credit agreements the Authority may enter into to obtain funds to repay the Commercial Paper Notes. The Commercial Paper Notes are secured by a lien upon and pledge of Revenues junior to the lien and pledge securing (i) Revenue Obligations and (ii) expenses of operating and maintaining the System, but prior to the payments into the Capital Improvement Fund.

To obtain funds, if needed to repay the Commercial Paper Notes, the Authority has entered into Revolving Credit Agreements (the "Commercial Paper Notes Revolving Credit Agreements") with U.S. Bank National Association, Wells Fargo Bank, National Association, JP Morgan Chase Bank, National Association, Bank of America, N.A., and TD Bank, N.A. (collectively, the "Banks") for an aggregate amount of $750,000,000. The agreement with U.S. Bank National Association allows the Authority to borrow up to $150,000,000 and expires on August 18, 2017. The agreement with JP Morgan Chase Bank, National Association allows the Authority to borrow up to $200,000,000 and expires on August 18, 2017. The agreement with Wells Fargo Bank, National Association allows the Authority to borrow up to $150,000,000 and expires on August 18, 2017. The agreement with Bank of America, N.A. allows the Authority to borrow up to $100,000,000 and expires on September 21, 2018. The agreement with TD Bank, N.A. allows the Authority to borrow up to $150,000,000 and expires on November 27, 2018.

To obtain funds, if needed, the Authority has entered into a Revolving Credit Agreement ("Direct Purchase Revolving Credit Agreement") with Barclays Bank PLC. The agreement with Barclays Bank PLC allows the Authority to borrow up to $200,000,000 and expires on November 27, 2019. In August 2016, the Authority secured a $100,000,000 loan under the Direct Purchase Revolving Credit Agreement to pay off $100,000,000 of Commercial Paper Notes.

The Authority's obligation to repay loans advanced under the Commercial Paper Notes Revolving Credit Agreements or the Direct Purchase Revolving Credit Agreement is secured by a lien upon and pledge of Revenues *pari passu* with the lien upon and pledge of Revenues securing the Commercial Paper Notes.

Purpose of the 2016C Bonds

The 2016C Bonds are being issued to refinance a portion of the outstanding debt of the Authority and to pay costs of issuance of the 2016C Bonds. See "REFUNDING PLAN".

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ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of proceeds from the 2016C Bonds.

Sources	
Par Amount	$52,400,000.00
Net Premium	10,110,011.40
Total	$62,510,011.40
Uses	
Escrow Deposits	$62,218,912.50
Cost of Issuance(1)	291,098.90
Total	$62,510,011.40

(1) Includes Underwriters' Discount and Issuance Costs

LONG-TERM CAPITAL STRUCTURE PLAN

Traditionally, the Authority has amortized its debt taking into consideration the potential termination of the Central Agreement hereafter defined, and the expected lives of its capital assets. See "CUSTOMER BASE - Wholesale - Central." In light of the May 20, 2013 extension of the earliest possible termination date of the Central Agreement from 2030 to 2058, the Authority is in the process of extending the average life of its debt in order to better align its debt amortization to the expected lives of its capital assets. The Authority expects to achieve this alignment through a combination of selling longer dated debt for a portion of the Authority's capital needs, and restructuring to extend the maturity of a portion of its existing debt. While the size and scope of this restructuring program will evolve over time, the Authority estimates that it has substantially completed the restructuring portion of the program, by refinancing and extending approximately $650 million of its existing debt.

FINANCING PLAN FOR SUMMER NUCLEAR UNITS 2 AND 3

As of June 30, 2016, the Authority's construction budget associated with a 45% ownership interest in the Virgil C. Summer Nuclear Generating Station Units 2 and 3 ("Summer Nuclear Unit 2" and "Summer Nuclear Unit 3" and together "Summer Nuclear Units 2 and 3") is approximately $6.2 billion including approximately $220 million for transmission and approximately $139 million for the initial fuel core and the remaining $5.9 billion for construction of the units. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *October 2015 Amendment to the EPC Agreement*." To date, the Authority has financed approximately $4.2 billion for construction from proceeds of issues sold beginning in 2008. The Authority intends to fund the remaining construction with the proceeds of additional bond sales projected in calendar years 2017 through 2020 and proceeds from the sale of a 5% project ownership interest in Summer Nuclear Units 2 and 3 to South Carolina Electric & Gas ("SCE&G"). See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Ownership Agreements*." While the Authority expects to fund the remaining construction of Summer Nuclear Units 2 and 3 with Revenue Obligations and Commercial Paper Notes, it also has a pending application with the Department of Energy ("DOE") for a loan guarantee to fund construction should it be beneficial to do so.

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REFUNDING PLAN

A portion of the proceeds of the 2016C Bonds will be used to redeem on January 1, 2017 at par the following Revenue Obligations:

2006 Refunding Series C

$ 9,205,000 5.00% due January 1, 2018	$10,710,000 5.00% due January 1, 2021
$ 9,685,000 5.00% due January 1, 2019	$11,260,000 5.00% due January 1, 2022
$10,180,000 5.00% due January 1, 2020	$ 9,685,000 4.50% due January 1, 2036

DESCRIPTION OF THE 2016C BONDS

General

The 2016C Bonds will be issued in the aggregate principal amount of $52,400,000, will be dated the date of their delivery, will bear interest from that date at the rate per annum set forth on the inside cover page hereof, payable semiannually on June 1 and December 1 of each year commencing June 1, 2017 and will mature on the date and in the principal amount set forth on the inside cover page hereof.

The 2016C Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple amount thereof. The 2016C Bonds when issued will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). See Appendix V -- "DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM." The 2016C Bonds may be transferred only on the books of the Authority at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. in East Syracuse, New York (the "Trustee"), as Bond Registrar (the "Bond Registrar"). Interest on any 2016C Bonds will be paid to the person in whose name such 2016C Bonds is registered at the close of business on the applicable record date, which is May 15th for the interest due on June 1 and November 15th for the interest due on December 1. Interest will be payable by check of The Bank of New York Mellon Trust Company, N.A. as paying agent (the "Paying Agent") mailed by first class mail to the registered owners. Except as otherwise provided in the Revenue Obligation Resolution with respect to 2016C Bonds held in book-entry form, the principal and redemption price, if any, of all 2016C Bonds will be payable upon presentation and surrender of such 2016C Bonds at the corporate trust office of the Paying Agent in East Syracuse, New York.

Redemption

Optional Redemption of the 2016C Bonds. The 2016C Bonds are redeemable at the option of the Authority, on or after December 1, 2026, in whole or in part at any time in any order of maturity to be redeemed by the Authority, at par plus accrued interest, if any, to the redemption date.

Selection of 2016C Bonds to be Redeemed. Any 2016C Bonds subject to optional redemption shall be redeemed in any order of maturity and in any principal amount within a maturity as designated by the Authority. If less than all the 2016C Bonds of a maturity shall be called for redemption, the particular 2016C Bonds to be redeemed shall be selected by lot (provided that so long as the 2016C Bonds shall remain immobilized at DTC, such 2016C Bonds shall be selected in such manner as DTC shall determine). For purposes of selection by lot within a maturity, each $5,000 of principal amount of a 2016C Bond shall be considered a separate 2016C Bond .

Notice of Redemption. Notice of redemption shall be given by first-class mail by the Trustee to the holders of any 2016C Bond designated for redemption in whole or in part not less than 20 nor more than 60 days prior to the redemption date. Each notice of redemption shall state the redemption date, the redemption place and the redemption price, and shall designate the series and numbers of the 2016C Bond to be redeemed, shall (in the case of any 2016C Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and shall state that the interest thereon or portions thereof designated for redemption shall cease to accrue from and after such redemption date and that on such redemption date there will become due and payable on each of the 2016C Bond or portions thereof designated for redemption the redemption price thereon. The failure to mail such notice with respect to any 2016C Bond shall not affect the validity of the proceedings for the redemption of any other 2016C Bond with respect to which notice was so mailed.

Any notice of optional redemption of Revenue Obligations given pursuant to the Revenue Obligation Resolution may state that it is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Revenue Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of Revenue Obligations as promptly as practical upon the failure of such condition or the occurrence of such event.

DESCRIPTION OF THE 2016C FORWARD DELIVERY BOND PURCHASE AGREEMENT

Certain Delayed Delivery Considerations

The Authority has entered into a forward delivery bond purchase agreement dated July 22, 2016 (the "2016C Forward Delivery Bond Purchase Agreement") with Barclays Capital Inc., as representative (the "Representative") on its own behalf and on behalf of, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co, LLC, J. P. Morgan Securities LLC, US Bancorp and Wells Fargo Bank, National Association, (collectively, the "Underwriters"). Subject to the terms of the 2016C Forward Delivery Bond Purchase Agreement, the Authority expects to issue and deliver the 2016C Bonds on October 13, 2016, or on such later date as is mutually agreed upon by the Authority and the Representative ("Settlement Date"). The following is a description of certain provisions of the 2016C Forward Delivery Bond Purchase Agreement. The following description is not to be considered a full statement of the terms of the 2016C Forward Delivery Bond Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof.

Settlement

The issuance of the 2016C Bonds and the Underwriters' obligations under the 2016C Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the 2016C Bonds on the Settlement Date are conditioned upon the performance by the Authority including, without limitation, the delivery of opinions, dated the Settlement Date, of Bond Counsel, substantially in the form and to the effect as set forth in Appendix IV - "FORM OF 2016C OPINION OF HAYNSWORTH SINKLER BOYD, P.A."to this Official Statement, together with a reliance letter from Bond Counsel addressed to the Underwriters, and the delivery of evidence satisfactory to the Representative that, as of the Settlement Date, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings ("Fitch") have rated the 2016C Bonds. The issuance of the 2016C Bonds is further contingent upon the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Settlement Date. The Underwriters have the right to terminate their obligations under the 2016C Forward Delivery Bond Purchase Agreement, by notifying the Authority of their election to do so, if:

(a) At any time subsequent to the preliminary closing date on the 2016C Bonds (the "Preliminary Closing Date") which is expected to be August 3, 2016 and on or prior to the Settlement Date, legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of the Congress of the United States by any committee of such House, or passed by either House of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service (the "IRS"), with respect to the federal taxation of interest received on obligations of the general character of the 2016C Bonds, as a result of which, Bond Counsel does not expect to be able to issue an opinion on the Settlement Date either (i) substantially in the form attached hereto as Appendix IV (to the effect that interest on the 2016C Bonds is not (A) subject to inclusion in gross income for purposes of federal income taxation, or (B) included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes) or (ii) notwithstanding a change in law from that existing on the Preliminary Closing Date which prevents Bond Counsel from issuing an opinion substantially in the form attached hereto as Appendix IV, to the effect that interest on the 2016C Bonds is not included in gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;

(b) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, legislation shall be enacted or actively considered for enactment with an effective date prior to the Settlement Date, or a decision of a court of the United States shall be rendered, the effect of which is, in the opinion of counsel to the Underwriters, that the 2016C Bonds are not exempt from registration or other requirements under the Securities Act of 1933, as amended and then in effect, or the Revenue Obligation Resolution is not exempt from qualification or other requirements under the Trust Indenture Act of 1939, as amended and then in effect, or the offering or sale of the 2016C Bonds would be in violation of the Securities Exchange Act of 1934, as amended and then in effect;

(c) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter shall have been issued or made or any other event occurs the effect of which, in the opinion of counsel to the Underwriters, is that the offering, issuance or sale of the 2016C Bonds as contemplated hereby is or would be in violation of any provision of the federal securities laws, including without limitation the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect; or

(d) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, an Event of Default shall have occurred under the Revenue Obligation Resolution which has not been cured as of the Settlement Date.

During the period of time between the date of this Official Statement and the Settlement Date (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in a material respect. The Authority has agreed to amend or supplement this Official Statement with an Updated Official Statement not more than 10 days nor less than five days prior to the Settlement Date.

The Underwriters may not refuse to purchase the 2016C Bonds, and the purchasers may not refuse to purchase the 2016C Bonds pursuant to the hereinafter referred to Delayed Delivery Contracts, by reason of "general market or credit changes," including, but not limited to, (a) changes in the ratings of the 2016C Bonds, or (b) changes in the financial condition, operations, performance, properties or prospects of the Authority prior to the Settlement Date.

The Representative has advised the Authority that the 2016C Bonds will be sold only to investors who execute the Delayed Delivery Contracts in substantially the form included in Appendix VI attached hereto at the request and for the convenience of the Underwriters. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations of the parties thereto under the 2016C Forward Delivery Bond Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contracts.

Additional Risks Related to the Delayed Delivery Period

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. Any changes in such information will not permit the Underwriters to terminate the 2016C Delayed Delivery Contracts or release the purchasers of their obligation to purchase 2016C Bonds pursuant to the Delayed Delivery Contracts unless the change reflects an event described under "Settlement." In addition to the risks set forth above, purchasers of the 2016C Bonds are subject to certain additional risks, some of which are described below.

Ratings Risk. No assurances can be given that the ratings assigned to the 2016C Bonds on the Settlement Date will not be different from those currently assigned to the 2016C Bonds. Issuance of the 2016C Bonds and the Underwriters' obligations under the 2016C Forward Delivery Bond Purchase Agreement are not conditioned upon the assignment of any particular ratings for the 2016C Bonds or the maintenance of the initial ratings of the 2016C Bonds.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the 2016C Bonds, and no assurances can be given that a secondary market will exist for the 2016C Bonds during the Delayed Delivery Period. Purchasers of the 2016C Bonds should assume that the 2016C Bonds will be illiquid throughout the Delayed Delivery Period.

Market Value Risk. The market value of the 2016C Bonds as of the Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2016C Bonds, the financial condition and business operations of the Authority and federal income tax and other laws. The market value of the 2016C Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2016C Bonds, and that difference could be substantial. Neither the Authority nor the Underwriters make any representation as to the expected market price of the 2016C Bonds as of the Settlement Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2016C Bonds as of the Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the 2016C Bonds.

Tax Law Risk. Subject to the additional conditions of settlement described under "Settlement" above, the 2016C Forward Delivery Bond Purchase Agreement obligates the Authority to deliver and the Underwriters to acquire the 2016C Bonds if the Authority delivers an opinion of Bond Counsel with respect to the 2016C Bonds substantially in the form and to the effect as set forth in Appendix IV - "FORM OF 2016C OPINION OF HAYNSWORTH SINKLER BOYD, P.A." During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its opinion in the form of Appendix IV or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on and the 2016C Bonds for purposes of federal income taxation payable on "state or local bonds," the Authority might be able to satisfy the requirements for the delivery of the 2016C Bonds if Bond Counsel is able to issue its opinion to the effect that interest on the 2016C Bonds is not included in gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes. In such event, the purchasers would be required to accept delivery of the 2016C Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Termination of 2016C Forward Delivery Bond Purchase Agreement. The Representative, on behalf of the Underwriters, may terminate the 2016C Forward Delivery Bond Purchase Agreement by notification to the Authority on or prior to the Settlement Date if any of the events described above in items (a) through (d) under "Settlement" occurs. The Underwriters may not waive any right to terminate their obligations under the 2016C Forward Delivery Bond Purchase Agreement pursuant to paragraphs (b), (c) and (d) under "Settlement" without the prior written consent of the Authority.

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DEBT SERVICE SCHEDULE(1)
(Thousands of Dollars)

The following table sets forth on an accrual basis the debt service due on outstanding Revenue Obligations and the 2016C Bonds, and the total debt service in each calendar year indicated. See "LONG-TERM CAPITAL STRUCTURE PLAN."

	Outstanding Revenue Obligations(2)(3)	2016C Bonds	Total Debt Service
2016	$470,331	$ 542	$470,873
2017	506,520	2,500	509,019
2018	517,199	2,500	519,699
2019	523,680	2,500	526,180
2020	517,105	2,500	519,605
2021	533,151	2,670	535,821
2022	496,621	4,539	501,160
2023	745,638	4,537	750,175
2024	437,196	4,536	441,732
2025	441,168	4,538	445,706
2026	431,982	4,535	436,517
2027	418,688	4,537	423,225
2028	441,101	4,536	445,637
2029	447,984	4,535	452,519
2030	409,639	4,537	414,176
2031	408,933	4,536	413,469
2032	374,213	4,538	378,751
2033	429,577	4,536	434,113
2034	419,327	5,222	424,549
2035	412,581	12,059	424,640
2036	427,481	4,121	431,602
2037	375,896		375,896
2038	345,528		345,528
2039	343,650		343,650
2040	347,556		347,556
2041	374,734		374,734
2042	368,459		368,459
2043	380,039		380,039
2044	387,332		387,332
2045	397,453		397,453
2046	418,415		418,415
2047	348,172		348,172
2048	343,121		343,121
2049	330,648		330,648
2050	268,302		268,302
2051	268,607		268,607
2052	272,869		272,869
2053	264,759		264,759
2054	207,050		207,050
2055	118,140		118,140
2056	39,767		39,767

(1) Does not include debt service on Commercial Paper Notes, which are junior to debt service on Revenue Obligations. Does not reflect puts subsequent to June 30, 2016 of Revenue Obligations subject to tender for elective purchase.

(2) Net of Subsidy Payment (hereinafter defined). Subject to the Authority's compliance with certain requirements under the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986, as amended (the "Code"), the Authority expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Revenue Obligations, 2010 Series C Bonds (the "2010C Bonds") (any such payment, a "Subsidy Payment"). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions took place March 1, 2013. These required reductions include a reduction to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The sequestration reduction rate of 7.3% has been applied to the July 1, 2015 and January 1, 2016 Subsidy Payments respectively and the sequestration reduction rate of 6.8% has been applied to the July 1, 2016 and January 1, 2017 Subsidy Payments respectively. The debt service on Revenue Obligations in calendar year 2016 has been adjusted accordingly.

(3) Excludes debt service on bonds to be refunded by the 2016C Bonds. See "REFUNDING PLAN."

SECURITY FOR THE 2016C BONDS

General

The 2016C Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution, senior to (i) payments required to be made from or retained in the Revenue Fund to pay expenses of operating and maintaining the System, and (ii) the payments into the Capital Improvement Fund heretofore established and continued under the Revenue Obligation Resolution. See "FINANCIAL INFORMATION." In the Revenue Obligation Resolution the Authority has covenanted not to incur any indebtedness senior to the lien of the Revenue Obligations.

The Revenue Obligations, including the 2016C Bonds, are not indebtedness of the State, nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority pledged to the payment thereof.

Additional series of Revenue Obligations may be issued without limitation and without compliance with any additional bonds test, provided there is no default under the Revenue Obligation Resolution. In addition, no debt service reserve fund is established under the Revenue Obligation Resolution. See Appendix II - "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

Rate Covenant

The Revenue Obligation Resolution provides that the Authority shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient: (a) to pay the principal of, premium, if any, and interest on the Revenue Obligations as and when the same shall become due and payable; (b) to make when due all payments which the Authority is obligated to make (i) into the Revenue Obligation Fund created under the Revenue Obligation Resolution, and (ii) into the Capital Improvement Fund pursuant to the Revenue Obligation Resolution; (c) to make all other payments which the Authority is obligated to make pursuant to the Revenue Obligation Resolution; (d) to pay all proper operation and maintenance expenses and all necessary repairs, replacements and renewals thereof; (e) to pay all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof or payments in lieu thereof; and (f) to pay any and all amounts which the Authority may become obligated to pay from the Revenues of the System by law or by contract.

As required by the Act, the Authority makes distributions to the State and payments in lieu of taxes to local governments. Nothing in the Act prohibits the Authority from paying to the State each year up to 1% of its projected operating revenues, as such revenues would be determined on an accrual basis, from the combined electric and water systems. In 2016, distributions to the State and payments to local governments amounted to approximately $29,307,000.

There is no governmental or regulatory entity, other than the Authority's Board of Directors, having jurisdiction over the rates of the Authority.

Additional Indebtedness

The Revenue Obligation Resolution does not prohibit the issuance of obligations secured by a pledge of the Revenues junior and subordinate to the pledge securing the Revenue Obligations. In addition, the Authority may issue obligations secured by a pledge of revenues derived from separate utility systems not included in the System. See Appendix II - "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION -- Separate Systems."

Capital Improvement Fund Requirement

The Revenue Obligation Resolution requires, so long as any Revenue Obligations are outstanding, that the Authority deposit annually into the Capital Improvement Fund an amount which, together with the amounts deposited therein in the two immediately preceding Fiscal Years, will be at least equal to 8% of the Revenues required by the Revenue Obligation Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years. Permitted use of moneys in the Capital Improvement Fund includes but is not limited to payment of Capital Costs, as defined in the Revenue Obligation Resolution. See Appendix II -"SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

ORGANIZATION AND MANAGEMENT OF THE AUTHORITY

The Act contains provisions governing the composition, qualifications, appointment and duties of the Authority's Board of Directors. The Governor appoints members, and the State Regulation of Public Utilities Review Committee ("PURC") screens appointees to determine whether they have the qualifications required by the Act. After successful screening, appointees must be confirmed by the State Senate. The Act describes the duties of directors and sets forth conditions by which a director may be held accountable for his actions or inactions as a director.

The Board consists of twelve members who reside in South Carolina as follows: one from each congressional district of the State; one from each of the counties of Berkeley, Horry and Georgetown who reside in the territory of the Authority and are customers of the Authority, and two from the State at large, one of whom shall be chairman. Two of the directors must have substantial work experience within the operations of electric cooperatives or substantial experience on an electric cooperative board, but must not serve as an employee or board member of an electric cooperative during their term as director of the Authority. One of the two must have substantial experience within the operations or board of a transmission or generation cooperative.

Directors serve for a term of seven years and until a successor has been appointed and found qualified. Directors appointed to fill a vacancy on the Board serve for the unexpired portion of the term and until a successor is appointed and found qualified. An individual appointed and found qualified by the PURC while the State Senate is not in session may serve as director in an interim capacity. Directors may be removed from office only for cause.

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Present directors are listed below:

Name	Business	Residence	Term Expires May
W. Leighton Lord III, Chairman	Attorney	Columbia	2018
William A. Finn, First Vice Chairman	Business Executive	Mt. Pleasant	2020
Barry D. Wynn, Second Vice Chairman	Business Executive	Spartanburg	2021
Alfred L. Reid, Jr.	Business Executive	Rock Hill	2016(1)
Kristofer D. Clark	Business Executive	Easley	2019
Merrell W. Floyd	Retired Business Executive	Conway	2019
Stephen H. Mudge	Business Executive	Clemson	2019
J. Calhoun Land IV	Attorney	Manning	2020
Peggy H. Pinnell	Business Executive	Moncks Corner	2021
Dan J. Ray	Business Executive	Pawleys Island	2022
Jack F. Wolfe, Jr.	Retired Business Executive	Chapin	2022
David F. Singleton	Business Executive	Myrtle Beach	2023

(1) Director Reid has been re-appointed but has not yet been screened by the PURC or confirmed by the Senate. Although his term has expired as indicated, directors may continue to serve until successors have been appointed and qualified.

The President and Chief Executive Officer of the Authority is appointed by the Authority's Board of Directors. The Authority's executive management is appointed by the President and Chief Executive Officer with the approval of the Authority's Board of Directors.

Authority executive management is:

Name	Position	Utility Experience
Lonnie N. Carter	President and Chief Executive Officer	34 years
Marc R. Tye	Executive Vice President, Competitive Markets and Generation	33 years
Jeffrey D. Armfield	Senior Vice President and Chief Financial Officer	33 years
J. Michael Baxley, Sr.	Senior Vice President and General Counsel	2 years
Michael R. Crosby	Senior Vice President, Nuclear Energy	31 years
Dom Maddalone	Senior Vice President, Information Systems and Chief Information Officer	0 years
Arnold R. Singleton	Senior Vice President, Power Delivery	25 years
Pamela J. Williams	Senior Vice President, Corporate Services	14 years

Lonnie N. Carter joined the Authority in 1982 as an employee in the Controller's Office. Since that time he has held various positions, including Manager of Corporate Forecasting, Vice President of Corporate Forecasting, Senior Vice President of Customer Service and Senior Vice President of Corporate Planning & Bulk Power. In 2004, he became President and Chief Executive Officer. In addition, in 1997, he served as the first President and Chief Executive Officer of The Energy Authority, Inc. ("TEA"), a joint power marketing alliance through a non-profit corporation, whereby the Authority can purchase or sell energy and/or capacity when available. He received a Bachelor of Science degree in Business Administration and a Masters in Business Administration from The Citadel.

Marc R. Tye joined the Authority in 1984 as an engineer. Since that time he has held various positions, including Manager of Corporate Analysis & Pricing, Manager of Wholesale Markets, and Senior Vice President of Customer Service. On August 24, 2015, he became Executive Vice President, Competitive Markets and Generation. He received a Bachelor of Science degree in Electrical Engineering and a Masters in Business Administration from The Citadel.

Jeffrey D. Armfield joined the Authority in 1983 as a Senior Auditor. Since that time he has held various positions, including Vice President, Fuels Strategy and Supply, Treasurer and Director of Financial Planning. He received a Bachelor of Science degree in Business and a Masters in Business Administration from The Citadel and is a Certified Public Accountant.

J. Michael Baxley, Sr. joined the Authority in April 2014 as Senior Vice President and General Counsel and a member of the executive management team. He practiced law in private practice from 1982 to 2000 and served as a judge of the South Carolina Circuit Court from 2000 to April 2014. He also served as a member of the South Carolina House of Representatives from 1987 to 1998. He received a Bachelor of Arts degree in Political Science from Clemson University and a Juris Doctor degree with honors from the University of South Carolina School of Law.

Michael R. Crosby became Senior Vice President, Nuclear Energy, on May 1, 2014. He joined the Authority in 1985 as an engineer. Since that time, he has held various positions, including Manager of Station Construction and Vice President, Nuclear Operations and Construction. He received a Bachelor of Science degree in Electrical Engineering from the University of South Carolina and a Masters in Business Administration from The Citadel.

Dom Maddalone became Senior Vice President, Information Systems and Chief Information Officer on June 20, 2016. Prior to joining the Authority he was employed as Vice President of IT Structure and Chief Technology Officer by Probuild, a nationwide lumber and building material supplier. He has past employment experience with Norgren, Johns Manville, and Great-West Healthcare. He received a Bachelor of Science degree in computer science from Drake University, a Master of Science in Information Systems from the University of Colorado and a Masters in Business Administration from the University of Colorado.

Arnold R. Singleton became Senior Vice President, Power Delivery, on November 7, 2015. Singleton joined the Authority in 2014 as Vice President, Administration. Prior to joining the Authority he was employed by Power Engineers, Inc., Southern Company, and the U.S. Army Corps of Engineers. He received a Bachelor of Science degree in Electrical Engineering from The Citadel and a Masters of Science in Administration/Human Resources from Central Michigan University.

Pamela J. Williams became Senior Vice President, Corporate Services on May 1, 2014. She joined the Authority in 2001 as Associate General Counsel for Corporate Affairs. In 2006, she took on the additional duties of corporate secretary. She moved to Vice President, Administration in 2011. Prior to joining the Authority she served as corporate counsel for The Clorox Company. She received a Bachelor of Science degree in Economics from the College of Charleston and a Juris Doctor degree from the University of Virginia School of Law.

The Authority had 1,757 employees as of August 31, 2016. Authority employees are members of a contributory state pension plan administered by the South Carolina State Retirement System.

The Act establishes an Advisory Board composed of the following officials of the State: the Governor, the Attorney General, the State Treasurer, the Comptroller General and the Secretary of State. The Advisory Board approves the hiring of the external auditors and sets the salary of the Authority's Board of Directors.

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CUSTOMER BASE

Service Area

The Authority's primary business operation is the production, transmission and distribution of electrical energy, both at wholesale and retail, to citizens of South Carolina. In 2015, the Authority's kilowatt-hour ("kWh") energy sales were comprised of 57.8% to wholesale customers, 27.7% to large industrial customers and 14.5% to residential, commercial and other customers. The Authority is one of the nation's largest municipal wholesale utilities, whose System serves directly or indirectly approximately 2 million South Carolinians in all 46 counties of South Carolina. The Authority serves directly and indirectly suburban areas outside Charleston, Columbia, Greenville and Spartanburg as well as the coastal areas of Myrtle Beach and the Grand Strand, Hilton Head Island, Kiawah Island and Seabrook Island. See "HISTORICAL SALES – Historical Demand, Sales and Revenues."

The Authority's direct customers currently include 26 large industrial customers, Central Electric Power Cooperative Inc. ("Central"), and two municipal electric systems, the City of Georgetown and the City of Bamberg. Central is an association of 20 electric distribution cooperatives, including the five electric distribution cooperatives that were formerly members of Saluda River Electric Cooperative, Inc. ("Saluda"). Central serves primarily residential, commercial and small industrial customers in all 46 counties of the State. Through Central and the two municipal electric systems, the Authority indirectly serves approximately 771,000 customers. See "CUSTOMER BASE - Wholesale - Central" and "CUSTOMER BASE - Wholesale - Other."

The Authority also serves directly approximately 176,000 residential, commercial and small industrial retail customers in its assigned retail service territory, which includes parts of Berkeley, Georgetown and Horry counties. See "CUSTOMER BASE - Direct Retail Service Area."

Under State law, the Authority has an exclusive right to serve within its assigned retail service territory, and it has the exclusive right to continue to serve the large industrial premises outside its assigned service territory that it is currently serving. If any customers, premises, or electric cooperatives located outside the present service area of the Authority and being served by the Authority, including any subsequent expansions or additions by such customers, premises, or cooperatives, cease or discontinue accepting electrical service from the Authority, the Authority may subsequently sell and furnish electrical service to new customers, premises, or electric cooperatives from its major transmission lines in an amount not exceeding the amount of power the sale of which was lost by reason of such discontinuation of service.

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Wholesale - Central

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives (the "Central Cooperatives") which are members of Central pursuant to long-term all requirements power supply agreements. The Central Cooperatives serve areas ranging from sparsely populated rural areas to heavily populated suburban areas. The table below lists each of the Central Cooperatives, the location of their headquarters, and the number of customers of each as of December 31, 2015.

Central Cooperatives	Headquarters	Customers
Aiken Electric Cooperative, Inc.	Aiken	46,432
Berkeley Electric Cooperative, Inc.	Moncks Corner	91,204
Black River Electric Cooperative, Inc.	Sumter	31,911
Blue Ridge Electric Cooperative, Inc.(1)	Pickens	64,381
Broad River Electric Cooperative, Inc.(1)	Gaffney	20,755
Coastal Electric Cooperative, Inc.	Walterboro	11,628
Edisto Electric Cooperative, Inc.	Bamberg	19,936
Fairfield Electric Cooperative, Inc.	Winnsboro	27,882
Horry Electric Cooperative, Inc.	Conway	73,879
Laurens Electric Cooperative, Inc.(1)	Laurens	55,477
Little River Electric Cooperative, Inc.(1)	Abbeville	14,116
Lynches River Electric Cooperative, Inc.	Pageland	20,742
Marlboro Electric Cooperative, Inc.	Bennettsville	6,460
Mid-Carolina Electric Cooperative, Inc.	Lexington	54,550
Newberry Electric Cooperative, Inc.	Newberry	12,703
Palmetto Electric Cooperative, Inc.	Ridgeland	69,423
Pee Dee Electric Cooperative, Inc.	Darlington	30,423
Santee Electric Cooperative, Inc.	Kingstree	43,688
Tri-County Electric Cooperative, Inc.	St. Matthews	17,825
York Electric Cooperative, Inc.(1)	York	50,720

(1) Former members of Saluda ("Former Saluda Members").

The Authority supplies the total power and energy requirements of the Central Cooperatives less amounts which Central purchases directly from Southeastern Power Administration (the "SEPA") and amounts provided by Duke Energy Carolinas under the September 2009 Agreement referenced below, and small amounts purchased from others.

The Authority serves Central under the terms of an agreement between the Authority and Central which became effective in January 1981 (as subsequently amended or revised, the "Central Agreement"). In 2015, revenues pursuant to the Central Agreement amounted to approximately 57.6% of revenues from sales. The Authority and Central adopted an amendment to the Central Agreement in January 1988 which included a number of revisions to the cost of service methodology, established that the Authority would supply the total power and energy requirements of the Central Cooperatives (with some limited exceptions) and provided that the Central Agreement would have a perpetual duration with a 35 year initial term ending March 31, 2023 and an automatic renewal for successive 35 year periods, subject to the right of either party to terminate the Central Agreement on any date on or after the end of such initial 35 year term, upon giving at least 10 years' notice.

September 2009 Agreement. In September 2009 Central and the Authority entered into an agreement (the "September 2009 Agreement") that, among other things, provided that neither party would exercise its right to terminate the Central Agreement effective on or before December 31, 2030. The Authority agreed in the September 2009 Agreement to allow Central to transition the purchase of the portion of the power and energy requirements of the five Former Saluda Members directly connected to the transmission system of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") (the "Upstate Load") to another supplier and in January 2013, Central began transitioning the Upstate Load to Duke Energy Carolinas, a subsidiary of Duke Energy Corporation ("Duke"). The September 2009 Agreement provides for approximately 15% of the Upstate Load to transition to Duke annually between 2013 - 2018, with the remaining 10% of the Upstate Load transitioning to Duke in 2019. This will amount to approximately 900 Megawatts ("MW"). Nothing would preclude the Authority serving this load when the Duke agreement ends on December 31, 2030.

May 2013 Revision to the Central Agreement. The Authority and Central adopted an amendment to the Central Agreement on May 20, 2013 (the "May 2013 Revision") that better aligns their future interests, formalizes how they will jointly plan for new resources, and defers their rights to terminate the agreement until December 31, 2058. Under the Central Agreement's 10 year rolling notice provisions, 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 requirements agreements with all 20 of its member cooperatives that extend through December 31, 2058 and obligated those members to pay their share of Central's costs, including costs paid under the Central Agreement.

Rates under the Central Agreement continue to be developed under a cost of service methodology and to be adjusted automatically on a monthly basis to reflect actual fuel cost and to be adjusted on an annual basis to reflect actual non-fuel cost, including O&M, debt service and a Capital Improvement Fund charge. Modifications to the cost of service methodology include allocating debt service and Capital Improvement Fund charges to the cost categories based on plant balances and allocating production related costs in a manner that reflects the nature of the generating resources.

Under the May 2013 Revision, the requirements provisions of the Central Agreement are retained. Central will continue to pay for its pro-rata share of the existing system resources, including Summer Nuclear Units 2 and 3. The May 2013 Revision formalizes the resource planning process and outlines how the parties will jointly plan and determine the need for new resources. The May 2013 Revision also contains provisions that allow Central to decide to participate or not participate in major new resources which were not completed or under construction as of January 1, 2013. If Central decides to participate in a resource, the costs for the new resource are included and shared under the Central Agreement. If Central decides not to participate in a proposed resource, the parties will obtain their own resources based on their pro-rata share of the proposed resource and each party will be responsible for the cost of its own non-shared resources.

The May 2013 Revision provides certainty to the planning process and, with the earliest termination date deferred to December 2058, will allow the Authority to align its existing and future debt service with the useful lives of its assets and its future revenue stream.

Palmetto Economic Development Corporation. Central and the Authority have joined together to form a joint economic development effort, known as the Palmetto Economic Development Corporation, to benefit the State, the Authority and Central. Formed in September 1988, it works to more effectively recruit new industries and to increase job opportunities throughout the State. The joint operation is governed by an eight-member board of directors, four named by Central and four named by the Authority. In February 2012, the Authority and Central announced economic development rates for new and expanded large industrial loads to further enhance their economic development efforts and expanded those efforts with additional economic development rates in 2014. See "CUSTOMER BASE - Business Growth Initiatives."

Wholesale - Other

In addition to Central, the Authority provides wholesale electric service to the City of Georgetown, the City of Bamberg, the City of Seneca and SCE&G pursuant to long-term contracts. New service agreements were executed in 2013 with the City of Georgetown and the City of Bamberg for 10 years and 20 years, respectively. The Authority executed a service agreement to provide wholesale electric service to the City of Seneca beginning July 1, 2015. Power generated by the Authority is being delivered to Seneca through the Authority and Blue Ridge Electric Cooperative, who has joined the contract as an additional electric provider to Seneca. Sales to these customers and off-system sales to other utilities and power marketers during 2015 represented approximately 2.8% of revenues from sales.

Additionally, the Town of Waynesville, NC ("Waynesville") has entered into a long-term purchase agreement with the Authority to receive wholesale electric service beginning January 1, 2017 for a term of 10 years.

The Authority has a long-term power agreement with Piedmont Municipal Power Agency ("PMPA") pursuant to which the Authority provides PMPA its supplemental electric power and energy requirements (ranging from approximately 200 MW to 300 MW) above its current resources. This agreement commenced on January 1, 2014, for a term of no less than 12 years.

The Authority also has an agreement pursuant to which it provides Alabama Municipal Electric Authority 50 MW unit-contingent capacity and associated energy (25 MW - 50 MW). This agreement commenced on January 1, 2014, for a term of 10 years.

Direct Retail Service Area

The Authority owns distribution facilities and serves in two non-contiguous areas covering portions of Berkeley, Georgetown and Horry Counties. These service areas include 2,841 miles of distribution lines. The following table presents retail customer growth from 2011 through 2015 in these areas.

	Retail Customers			
Year	Residential	Commercial and Small Industrial	Total	Annual Increase %
2011	136,047	28,600	164,647	0.6
2012	138,353	28,456	166,809	1.3
2013	140,126	28,687	168,813	1.2
2014	142,663	28,904	171,567	1.6
2015	145,208	28,815	174,023	1.4

Sales to residential, commercial, small industrial customers and certain other customers are made pursuant to rate schedules established from time to time by the Authority. The vast majority of such rate schedules include monthly automatic fuel adjustment and demand sales adjustment clauses. Sales to this customer group represented approximately 20.5% of revenues from sales in 2015.

Large Industrial Contracts

Sales to large industrial customers are made pursuant to long-term contracts. The Authority offers a large power rate schedule prepared on a cost of service basis for large industrial customers which contract for a minimum of 1,000 kilowatts ("kW"). The Authority requires that such customers enter into contracts for initial periods of not less than five years. All contracts contain rate provisions of the demand and energy type, and include monthly automatic fuel adjustment and demand sales adjustment clauses, minimum demand charges and other provisions generally used in large industrial power rate schedules. The average cost per kWh varies depending upon the customer's usage and load factor.

Sales to large industrial customers during 2015 represented approximately 19.1% of revenues from sales, which includes 7.2% for Century Aluminum of South Carolina, Inc. ("Century Aluminum"), formerly Alumax of South Carolina, Inc., 4.9% for Nucor Corporation ("Nucor"), and 4.6% for the next eight largest industrial customers, of which no one customer represents more than 1.4% of sales. Of the 19.1% of revenues from sales, approximately 63.0% represents fuel cost recovery.

Power Contract with Century Aluminum. The Authority executed a new contract with Century Aluminum on January 27, 2016, that became effective on February 1, 2016, and extends until December 31, 2018. Century Aluminum has reduced its facility capacity by 50%, requiring approximately 200 MW of power. Approximately 25% of the load is served under the Authority's firm industrial rate schedule, with the remainder served under the Authority's customer-supplied power schedule with Century providing an off-system resource for the power and the Authority transmitting the power. In addition to its standard termination provisions, the contract contains a provision that allows for early termination by Century Aluminum upon 60 days prior written notice.

Long-Term Power Contract with Nucor. The Authority has a long-term power contract with Nucor which extends through April 30, 2019 and provides for two year rollover terms thereafter. Under the notice provisions of the Authority's large light and power service, Nucor must provide four years notice to bring its load to zero. Such notice has not been given. The contract currently provides for delivery of approximately 300 MW of power, the majority of which is provided under the interruptible rate schedule.

Business Growth Initiatives

The Authority's business growth initiatives 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 cooperative and municipal customers. Product development activities include the creation and/or improvement of industrial properties, the acquisition of property, expansion of infrastructure into industrial properties, and/or constructing buildings for industrial uses. Since June 2012, the Authority has invested over $49 million throughout South Carolina in product development through a low-interest revolving loan pool to public entities. In addition, the Authority has created two additional funds to further improve the readiness of industrial sites in cooperative and municipal customers' territories, which have committed more than $15 million in local site investment since 2014. The Authority also offers the Experimental Large Light and Power Economic Development Service Tiered Rider. The purpose of this rider is to attract new and expanding industrial loads and is available to the Authority's direct served industrial customers as well as industrial customers indirectly served through its wholesale customers located in South Carolina.

In May 2015, Swedish automaker Volvo announced that it will build its first U.S. factory in Berkeley County, S.C., spending up to $500 million on a plant with an initial capacity of 100,000 vehicles a year. Volvo's announcement stated the first vehicles should roll off the line in 2018. The Authority worked with the State, Berkeley County and the electric cooperatives to recruit Volvo to this site. The manufacturing site will be served by Edisto Electric Cooperative, one of the Central Cooperatives. The Authority owns approximately 3,900 acres adjacent to the Volvo site and is currently master planning the property as an industrial park to serve Volvo suppliers and other industries. The Volvo project, as well as the industrial park development, are proceeding as planned. The Authority expects this Central customer load to be approximately 100,000 MWh annually once the plant commences operation.

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RATES AND RATE COMPARISON

Rates

The Authority's Board of Directors is empowered and required to set rates as necessary to provide for expenses, including debt service, of the Authority. The Authority monitors rates and management recommends adjustments as necessary. On December 7, 2015, the Authority's Board of Directors approved a series of two base rate adjustments for its retail, industrial and municipal customers. The adjustments will increase total charges for customers an average of 3.7% each year for a total increase of 7.4%. The first adjustment took effect April 1, 2016 and the second will take effect on April 1, 2017.

The Authority has developed and offers time-of-use, non-firm and off-peak rates to its direct-served commercial and industrial customers to encourage them to reduce their peak demand. As of December 31, 2015, the Authority had 785 MW of non-firm power under contract. The Authority also has seasonal energy charges for most rates affecting residential, commercial, and industrial customers. Seasonal energy charges reflect higher charges during the summer months when higher energy costs are incurred. The Authority's rate schedules include monthly automatic fuel adjustment clauses which provide for increases or decreases to the basic rate schedules to cover increases or decreases in the cost of fuel to the extent such costs vary from a predetermined base cost. The Authority's rate schedules also include a demand sales adjustment clause which provides for increases or decreases to the basic rate schedules to reflect increases or decreases in demand revenues from non-firm sales (such as supplemental curtailable, interruptible and economy power rate schedules and riders) and off-system sales to the extent such revenues vary from predetermined amounts included as credits to firm base rates.

Rates under the Central Agreement are determined in accordance with the cost of service methodology contained in the Central Agreement. Under the Central Agreement, Central initially pays for its power supply based on the Authority's projected costs and loads. The charges are then adjusted, on an annual basis, to reflect actual costs and load and Central is charged or credited the difference between the amounts paid based on projected rates and the amounts due based on actual rates. For a more detailed discussion of the Central Agreement see "CUSTOMER BASE - Wholesale - Central."

During 2015 revenues from sales to wholesale requirements customers averaged 7.33 cents per kWh, revenues from sales to large industrial customers averaged 4.83 cents per kWh, and revenues from sales to residential, commercial, small industrial and other customers averaged 9.90 cents per kWh based on the then current rates which included fuel adjustments and credits for demand sales adjustments.

Rate Comparison

The Authority has seasonal rates for the majority of its residential, commercial, and industrial customers. Comparisons of the Authority's average monthly bills or average cost per kWh for firm service at selected usage levels with the average monthly bills of the three investor-owned utilities that serve the State based on rates on file with the South Carolina Public Service Commission (the "PSC") as of January 31, 2016 and July 31, 2016 are set forth on the following page.

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	Residential Electric Service			
	500 kWh	1,000 kWh	2,000 kWh	3,000 kWh
Authority	$58.41	$102.81	$191.62	$280.43
Duke Energy Carolinas	59.17	110.05	217.87	325.68
Duke Energy Progress	56.01	103.52	192.54	281.56
SCE&G	79.70	148.27	282.08	415.89

	Commercial Electric Service		
	3,000 kWh	5,000 kWh	7,500 kWh
Authority	$256.83	$416.05	$615.08
Duke Energy Carolinas	279.79	461.75	675.23
Duke Energy Progress	313.85	474.79	675.97
SCE&G	424.25	673.49	985.04

	Industrial Electric Service			
	1,000 kW 500,000 kWh	2,000 kW 1,000,000 kWh	9,000 kW 5,000,000 kWh	40,000 kW 25,000,000 kWh
Authority	6.83¢	6.53¢	5.97¢	5.60¢
Duke Energy Carolinas	6.77	6.46	6.10	5.93
Duke Energy Progress	7.56	7.52	7.19	6.78
SCE&G	8.95	8.75	8.27	7.92

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	Residential Electric Service			
	500 kWh	1,000 kWh	2,000 kWh	3,000 kWh
Authority	$73.67	$130.33	$243.66	$356.99
Duke Energy Carolinas	59.17	110.05	217.87	325.68
Duke Energy Progress	54.73	102.96	199.42	295.88
SCE&G	72.39	145.93	293.01	440.09

	Commercial Electric Service		
	3,000 kWh	5,000 kWh	7,500 kWh
Authority	$337.89	$549.15	$813.23
Duke Energy Carolinas	279.79	461.75	675.23
Duke Energy Progress	306.41	462.39	657.37
SCE&G	406.28	679.72	1,021.52

	Industrial Electric Service			
	1,000 kW 500,000 kWh	2,000 kW 1,000,000 kWh	9,000 kW 5,000,000 kWh	40,000 kW 25,000,000 kWh
Authority	8.42¢	7.91¢	7.13¢	6.69¢
Duke Energy Carolinas	6.77	6.46	6.10	5.93
Duke Energy Progress	7.31	7.27	7.01	6.78
SCE&G	8.36	8.75	8.27	7.92

POWER SUPPLY AND POWER MARKETING

Existing Generating Facilities

The Authority's generating facilities consist of the following:

Generating Facilities	Location	Initial Date in Service	Winter MCR(1) (MW)	Summer MCR(1) (MW)	Energy Source
Jefferies Hydroelectric Generating Station	Moncks Corner	1942	134	134	Hydro
Wilson Dam Generating Station	Lake Marion	1950	2	2	Hydro
Combustion Turbines Nos. 1 and 2	Myrtle Beach	1962	20	16	Oil/Gas
Combustion Turbines Nos. 3 and 4(2)	Myrtle Beach	1972	20	19	Oil
Combustion Turbine No. 5	Myrtle Beach	1976	25	21	Oil
Combustion Turbine No. 1	Hilton Head Island	1973	20	16	Oil
Combustion Turbine No. 2	Hilton Head Island	1974	20	16	Oil
Combustion Turbine No. 3	Hilton Head Island	1979	60	52	Oil
Winyah Generating Station	Georgetown				
No. 1		1975	280	275	Coal
No. 2		1977	290	285	Coal
No. 3		1980	290	285	Coal
No. 4		1981	290	285	Coal
Summer Nuclear Unit 1(3)	Jenkinsville	1983	322(4)	322(4)	Nuclear
Cross Generating Station	Cross				
Unit 1		1995	585	580	Coal
Unit 2(5)		1983	570	565	Coal
Unit 3		2007	610	610	Coal
Unit 4		2008	615	615	Coal
Horry Landfill Gas Station	Conway	2001	3	3	LMG(6)
Lee County Landfill Gas Station	Bishopville	2005	11	11	LMG
Richland County Landfill Gas Station	Elgin	2006	8	8	LMG
Anderson County Landfill Gas Station	Belton	2008	3	3	LMG
Georgetown County Landfill Gas Station	Georgetown	2010	1	1	LMG
Berkeley County Landfill Gas Station	Moncks Corner	2011	3	3	LMG
Rainey Generating Station	Starr				
Unit 1		2002	520	460	Gas
Unit 2A		2002	180	146	Gas
Unit 2B		2002	180	146	Gas
Unit 3		2004	90	75	Gas
Unit 4		2004	90	75	Gas
Unit 5		2004	90	75	Gas
Total Capability			5,332	5,104	

(1) Maximum Continuous Ratings ("MCR").
(2) Myrtle Beach Combustion Turbine No. 4 is currently unavailable until further notice.
(3) Virgil C. Summer Nuclear Generating Station Unit 1 ("Summer Nuclear Unit 1").
(4) Represents the Authority's one-third ownership interest.
(5) The Authority recently implemented a plan to lower O&M expenses by idling Cross Unit 2 after March 1, 2017. Upon idling the unit, a return to service period of up to two years would be required to operate the unit.
(6) Landfill Methane Gas ("LMG").

Existing Power Resources

The Authority plans for firm power supply from its own generating capacity and firm power contracts to equal its firm load, including a 15% summer reserve margin. The Authority's current total summer MCR of its owned generating capacity is set forth in the table below. The Authority presently receives 84 MW of firm supply from the U.S. Army Corps of Engineers (the "Corps") and 296 MW of firm hydroelectric power from SEPA. The SEPA allocation consists of 161 MW for wheeling to the SEPA preference customers served by the Authority and 135 MW purchased by the Authority for its customers. The Authority also receives 8 MW of dependable capability from the Buzzards Roost hydroelectric generating facility which it leases from Greenwood County, South Carolina and 74 MW of biomass capacity and associated energy under three power purchase agreements (the first commenced in September 2010 and the most recent in November 2013, with varying terms from 15 to 30 years). There is also an agreement to purchase the output from a 2.5 MW solar photovoltaic facility that started producing power in December of 2013 and has a 20 year term. The Authority has also entered into a purchase agreement with The Energy Authority ("TEA") for 250 MW for all on peak hours and 150 MW for all off peak hours of firm energy only began January 1, 2016 and continuing through December 31, 2016. The electric generation, transmission and distribution facilities owned by the Authority as well as certain transmission facilities leased from Central, are operated by the Authority as a fully integrated electric system. The Authority has direct interconnections with five entities, including all those with which the Authority has long-term power contracts for energy interchange. See "POWER SUPPLY AND POWER MARKETING - Interconnections and Interchanges."

The table below details the Authority's resources classified by energy source for the summer power supply peak capability.

Source of Power Supply	(MW)	% of Total
Coal	3,500	62.9
Natural Gas and Oil	1,117	20.1
Nuclear	322	5.8
Owned Hydro Generation	136	2.4
Landfill Methane Gas	29	0.5
Total MCR	5,104	91.7
Purchases	465	8.3
Total MCR and Purchases	5,569	100.0

The following table sets forth performance indicators for the Authority's coal-fired generation for the years 2013 through 2015.

	2013	2014	2015
Capacity Factor - %	43.6	54.3	41.8
Availability Factor - %	92.5	88.9	89.3
Forced Outage Rate - %	1.8	4.5	5.5
Net Heat Rate (BTU/kWh)	9,999	10,095	9,989

Performance monitoring systems are in place at the Authority's coal-fired generating stations and at its Rainey Generating Station to optimize each unit's operation while complying with environmental requirements.

All Authority operated units are maintained with computerized maintenance management systems and the use of preventive, predictive, and proactive maintenance practices to achieve high reliability and efficiency at low maintenance cost. In its maintenance program, the Authority utilizes technologies such as vibration analysis, oil analysis, thermography, laser alignment, and non-destructive testing. The Authority continues to implement equipment maintenance programs for the units including major unit components such as control systems, steam generators, and turbine generators. See "CAPITAL IMPROVEMENT PROGRAM."

The following table sets forth performance indicators for the Authority's combined cycle gas-fired generation for the years 2013 through 2015.

	2013	2014	2015
Net Capacity Factor - %	88.45	80.70	86.32
Availability Factor - %	97.20	95.47	93.36
Forced Outage Rate - %	1.33	0.79	0.21
Combined Cycle Net Heat Rate (BTU/kWh)	7,145	7,167	7,116

Summer Nuclear Unit 1. The Authority owns a one-third undivided interest in Summer Nuclear Unit 1 which has a pressurized water reactor with an MCR of 966 MW net. SCE&G owns the remaining two-thirds interest and operates and maintains Summer Nuclear Unit 1 on its own behalf and as the Authority's agent.

The following table sets forth certain performance indicators for Summer Nuclear Unit 1 for the years 2013 through 2015 and for the period of commercial operation, January 1, 1984 through December 31, 2015. The next refueling outage is scheduled for April 7, 2017.

	2013	2014(1)	2015(2)	January 1, 1984 - December 31, 2015
Net Generation - MWh	8,369,878	6,914,778	7,115,387	218,362,721
Capacity Factor - %	98.9	81.7	84.1	83.6
Availability Factor - %	97.0	80.8	83.3	85.1
Forced Outage Rate - %	0.0	4.4	0.0	2.4

(1) Spring 2014 - 57 days for scheduled refueling outage
(2) Fall 2015 - 61 days for scheduled refueling outage

Summer Nuclear Unit 1 reached an MCR of 966 MW by the end of 1999 due to improvements including a high pressure turbine upgrade, steam bypass reductions, and a new main step-up transformer. The Authority's share of the MCR is 322 MW.

The Nuclear Regulatory Commission (the "NRC") oversees plant performance through the Reactor Oversight Process ("ROP") assessment program. The ROP assessment program collects information from inspections and performance indicators ("PIs") which the NRC uses to objectively assess a facility's safety performance. The ROP consists of three key strategic performance areas: Reactor Safety, Radiation Safety, and Safeguards. Results for inspections and PIs are classified as green, yellow, white or red, with green being the most favorable. Through the second quarter of 2016, Summer Nuclear Unit 1 is in the Licensee Response Column of the ROP Action Matrix because all inspection findings had very low (i.e., green) safety significance, and all PIs indicated that performance was within the nominal, expected range (i.e., green). As a result of being in the Licensee Response Column, NRC oversight of Summer Nuclear Unit 1 is limited to baseline inspections.

In 2004, the NRC extended the operating license for Summer Nuclear Unit 1 to August 6, 2042, which was an additional twenty years.

Under the provisions of the Nuclear Waste Policy Act of 1982, on June 29, 1983 SCE&G and the Authority entered into a contract (the "Standard Contract") with the DOE for spent fuel and high level waste disposal for the operating life of Summer Nuclear Unit 1. The Nuclear Waste Policy Act and the Standard Contract required the DOE to accept and dispose of spent nuclear fuel and high-level radioactive waste beginning not later than January 31, 1998. To date, the DOE has not accepted any spent fuel from Summer Nuclear Unit 1 or any other utility, and has not indicated when it anticipates doing so.

Summer Nuclear Unit 1 has licensed on-site spent fuel storage capability until 2017 while still maintaining full core discharge capability. In 2013, construction began on a dry cask storage facility to accommodate the spent nuclear fuel output of Summer Nuclear Unit 1 through the operating license expiration date in 2042. The dry cask storage facility was completed in 2015 and began receiving spent fuel assemblies in March 2016. Because of DOE's failure to meet its obligation to dispose of spent fuel, SCE&G and the

Authority are being reimbursed by DOE for dry cask storage project costs. The Authority expects this reimbursement will equal approximately 75% of total project cost. Through August 31, 2016, reimbursements received from DOE equal 69% of total costs.

Unit Retirements. After evaluating the costs of complying with newly adopted federal regulations and the foreseeable generation resource needs for the Authority's system, management determined it would not be cost effective to implement the new environmental measures that would be necessary for continued operation of certain units. In 2012, the Authority's Board of Directors authorized retirement of six electric generating units: Grainger Generating Station Nos. 1 and 2, and Jefferies Generating Station Nos. 1, 2, 3 and 4. The Board authorized the President and CEO to develop and execute plans for an orderly retirement of the four coal and two oil units. Grainger Generating Station Nos. 1 and 2 and Jefferies Generating Station Nos. 3 and 4 ceased operations and were officially retired on December 31, 2012. Appropriate notifications were submitted to the federal Environmental Protection Agency (the "EPA") and The South Carolina Department of Health and Environmental Control (the "DHEC") to modify existing Title V air operating permits to reflect the cease operation of those units. Jefferies Generating Station Nos. 1 and 2 were retired October 1, 2015.

Renewable Energy Power Purchase Agreements. The Authority has purchase power agreements for approximately 25 MW of biogas-fueled energy from multiple facilities within the State. Commercial operations for these facilities are scheduled over the next two years.

Transmission

The Authority operates an integrated transmission system which includes lines owned and leased by the Authority as well as those owned by Central. The transmission system includes approximately 1,344 miles of 230 kilovolt ("kV"), 1,834 miles of 115 kV, 1,754 miles of 69 kV and 97 miles of 34 kV and below overhead and underground transmission lines. The Authority operates 105 transmission substations and switching stations serving 87 distribution substations and 455 Central Cooperative delivery points. Monitoring and control of integrated power system operations is supported by 91 primary communications sites. The Authority plans the transmission system to operate during normal and contingency conditions that are outlined in electric system reliability standards adopted by the North American Electric Reliability Corporation ("NERC") and to maintain system voltages that are consistent with good utility practice.

Interconnections and Interchanges

The Authority's transmission system is interconnected with other major electric utilities in the region. It is directly interconnected with SCE&G at eight locations; with Duke Energy Progress at eight locations; with Southern Company Services, Inc. ("Southern Company") at one location; and with Duke Energy Carolinas, at two locations. The Authority is also interconnected with SCE&G, Duke Energy Carolinas, Southern Company and SEPA through a five-way interconnection at SEPA's J. Strom Thurmond Hydroelectric Project, and with Southern Company and SEPA through a three-way interconnection at SEPA's R. B. Russell Hydroelectric Project. Through these interconnections, the Authority's transmission system is integrated into the regional transmission system serving the southeastern areas of the United States and the Eastern Interconnection. The Authority has separate interchange agreements with each of the companies with which it is interconnected which provide for mutual exchanges of power.

Reliability Agreements

The Authority is a party to the Virginia-Carolinas Reliability Agreement ("VACAR") which exists for the purpose of safeguarding the reliability of electric service of the parties thereto. Other parties to the VACAR agreement are SCE&G, Duke Energy Progress, Duke Energy Carolinas, APGI-Yadkin Division, Dominion Virginia Power, and Public Works Commission of the City of Fayetteville.

The Authority is also a member of the SERC Reliability Corporation, which is one of 8 regional entities under the NERC.

Distribution

The Authority owns distribution facilities in two service areas: the Berkeley District serving retail customers in St. Stephen, Bonneau Beach, Moncks Corner and Pinopolis; and the Horry-Georgetown Division serving retail customers in Conway, Myrtle Beach, North Myrtle Beach, Loris, Briarcliffe, Surfside Beach, Atlantic Beach, Pawleys Island, unincorporated areas along the Grand Strand and portions of rural Georgetown and Horry Counties. See "CUSTOMER BASE."

General Plant

The Authority owns a general plant consisting of office facilities; transportation and heavy equipment; computer equipment; and communication equipment necessary to support the Authority's operations. The Authority has seven customer service offices throughout its direct service territory and corporate headquarters located in Moncks Corner which includes a garage, maintenance facilities and warehouse facilities.

Fuel Supply

During 2015, the Authority's energy supply, including energy wheeled to SEPA preference customers, was derived as set forth in the following table.

Source of Power Supply	% of Total (MWh)
Coal	47.0
Natural Gas and Oil	22.8
Nuclear	8.7
Owned Hydro Generation	1.9
Purchases	19.3
Landfill Methane Gas	0.3
Total	100.0

Coal. The Authority has contracted for bituminous coal for its Winyah and Cross Generating Stations from a number of companies, and additional coal is acquired from spot market purchases. All of the Authority's suppliers have loading facilities for providing delivery of coal in unit train shipments. The Authority owns 1,711 coal cars and periodically supplements its fleet with cars provided by the railroad and through short term leases. Currently, the Authority does not have any cars on lease. The Authority's current rail transportation contract terms expire at the end of 2018 with an option to extend an additional year through 2019.

The Authority contracts for solid fuel from three primary coal basins: Central Appalachia, Northern Appalachia, and Illinois Basin. Considering quantity and quality requirements, the Authority uses a combination of these coal supplies with long-term and short-term contracts to meet its solid fuel needs. The Authority evaluates the fuel contracts based on the lowest delivered prices while ensuring and adapting to future needs.

The Authority uses a methodology that reflects the impact of coal to gas switching to calculate its coal days on hand. This methodology for calculating coal days on hand uses the annual amount of coal budgeted to be burned divided by 365. The annual burn budget uses projections based on gas prices and forward price curves available at the time the budget is developed and should therefore factor in coal to gas generation switching based on economics. Using this methodology, the Authority had 338 days of coal on hand as of August 31, 2016. In terms of tonnage, as of August 31, 2016, the Authority had approximately 5.07 million tons of coal on hand. Because of storage capability the Authority has the flexibility to build the coal pile to take advantage of favorable coal market conditions and gas switching capabilities. The Authority has a strategy in place to begin burning down the inventory piles in 2017 as legacy coal contracts begin to expire.

Sulfur dioxide ("SO_2") air emission limitations dictate the maximum amount of coal sulfur content that can be used by generating units. The sulfur content of coal received under existing contracts ranges from approximately 0.9% to 3.0%. The Authority believes it can obtain an adequate coal supply with sulfur content within acceptable ranges to meet foreseeable needs. See "REGULATORY MATTERS - Environmental Matters."

Gas. The Authority has contracted with Transcontinental Gas Pipeline Corporation to provide firm gas transportation in an amount approximately equal to the Rainey Generating Station combined cycle unit at full load. The fixed rate contract ended October 31, 2015; however, the service agreement for the same volume will remain intact on a year to year basis at the tariff rate.

Any additional gas transportation necessary to fuel the remaining needs of the simple cycle units at the station will be purchased on the spot market as needed.

The Authority purchases the majority of its natural gas on a daily or short-term basis and does not currently have any purchases under long term agreements. The Authority's natural gas risk is managed using a financial hedge strategy. See "POWER SUPPLY AND POWER MARKETING - Fuel Supply - *Commodity Risk Management.*" All of the Authority's natural gas transactions are currently executed by TEA.

Commodity Risk Management. The Authority's Board of Directors has approved a policy that deals with the philosophy, framework and delegation of authority necessary to govern the activities related to the Authority's commodity risk management program. The Authority strives to mitigate variations in price with a combination of long-term and short-term contracts, a fuel commodity risk hedging program, and by taking advantage of market opportunities, such as purchasing and blending off-specification coal when the economics are favorable. The Authority has determined that all financial risk transactions executed under the policy will be executed through TEA.

Nuclear. Under the Joint Ownership Agreement for Summer Nuclear Unit 1, SCE&G acts for itself and as agent for the Authority in the operation of Summer Nuclear Unit 1 including the acquisition and management of nuclear fuel. Contracts are in place to supply uranium and conversion through 2020. Enrichment services will be met by contract through 2024.

The Energy Authority

The Authority is a member of TEA along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District, Public Utility District No. 1 of Cowlitz County, Washington and American Municipal Power, Inc.

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 its members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. In addition, TEA purchases and sells natural gas relating to fuel for members' generation of electricity. TEA does not engage in the construction or ownership of generation or transmission assets.

The standards of conduct provisions of Order 717 of the Federal Energy Regulatory Commission (the "FERC") require that employees of a utility engaged in transmission system operations function independently of employees of the utility or any of its affiliates who are engaged in the wholesale merchant function. The Authority believes that the establishment of TEA assists in satisfying that requirement.

All of TEA's revenues and its costs are allocated to its members. The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority.

The current amount approved by the Authority to support TEA's trading and procurement activities is an amount not to exceed approximately $84.5 million. If payment is required to be made, it will be treated as an operation and maintenance expense.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority regularly reviews and updates its capital improvement program to reflect currently projected capital projects and expenditures. Total cost of the capital improvement program for 2016 through 2019 is estimated to be approximately $3,903,000,000, which includes approximately $451,000,000 for environmental compliance expenditures, approximately $665,000,000 for general improvements to the System and approximately $2,787,000,000 for Summer Nuclear Units 2 and 3 based on 45% ownership. The expenditures for these two units include additional costs that would be incurred if the Authority and SCE&G successfully exercise an option to fix the cost of the project. See "FINANCING PLAN FOR SUMMER NUCLEAR UNITS 2 AND 3" and "CAPITAL IMPROVEMENT PROGRAM - Summer Units 2 and 3 - *Ownership Agreements and Engineering, Procurement and Construction Agreement*" for further details. The Authority typically finances generation resources and large capital projects with long-term borrowed funds while utilizing the capital improvement fund for other resources such as general improvements to the System and equity to reduce taxable borrowings. The cost of the capital improvement program will be provided from Revenues of the Authority, additional Revenue Obligations, and Commercial Paper Notes and other short-term obligations of the Authority, as determined by the Authority. The Authority plans to issue approximately $1.9 billion of debt in 2017 through 2019.

Long-Term Power Supply Plan

The Authority's overall power supply objective is to continue to satisfy the electric power and energy needs of its customers with economical and reliable service. As part of this objective the Authority strives to have in place a diverse power supply that utilizes a variety of fuel sources. The Authority reviews, from time to time, its power resources and requirements and considers the need for the possible addition of new power resources, the retirement of existing resources and other modifications to its resource plan. In January 2008, the Authority's Board of Directors approved a generation resource plan that included, among other things, a 45% ownership interest in Summer Nuclear Units 2 and 3. At a 45% ownership, these units are projected to increase the percentage of power generated from nuclear resources from approximately 10% to approximately 40% after both units are completed. Nuclear power stations have higher capital costs, but they have very low fuel costs, which have already proven to be stable and competitive, to balance out the capital expense. Nuclear power is an emissions free, non-greenhouse gas emitting resource and, therefore is not subject to regulation and legislation typically associated with fossil fired resources such as those targeting carbon and SO_2 emissions.

The Authority has evaluated its capital improvement program and long-term power supply plan in light of the softer economy, the reduction in previously anticipated sales to Central, as described under "CUSTOMER BASE - Wholesale," and new EPA regulations which increase the operating costs of coal-fired generating units/sites as described under "REGULATORY MATTERS -- Environmental Matters." As a result, the Authority has retired a total of 6 electric generating units (See "POWER SUPPLY AND POWER MARKETING - Existing Power Resources - *Unit Retirements*.") and plans to idle a unit after March 1, 2017 (See "POWER SUPPLY AND POWER MARKETING - Existing Power Resources.") Additionally, the Authority entered into an agreement, subject to regulatory approvals including the PSC and the NRC, whereby SCE&G will purchase from the Authority an additional 5% ownership interest in Summer Nuclear Units 2 and 3. Under the terms of the agreement, SCE&G will own 60% of the new nuclear units and the Authority, 40%. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Ownership Agreements*."

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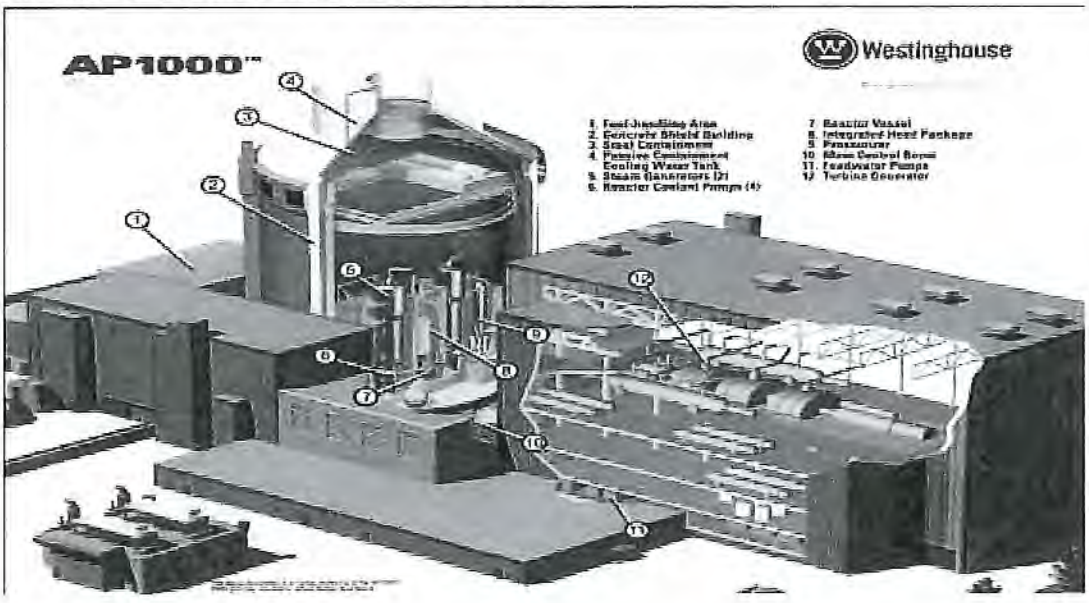
Summer Nuclear Units 2 and 3

Technology. Summer Nuclear Units 2 and 3 will consist of two Westinghouse Electric Company, LLC ("Westinghouse") AP1000 nuclear reactors, four low profile sixteen-cell mechanical draft cooling towers, intake and discharge structures, a 230 kV switchyard for transmission access, and numerous ancillary structures supporting the power generation process.

On January 27, 2006, the NRC approved the AP1000 standard plant design and issued its original AP1000 Design Certification Rule ("DCR") which incorporated Revision 15 of the AP1000 Design Control Document ("DCD").

On December 30, 2011, the NRC amended its regulations to certify an amendment to the AP1000 standard plant design incorporated in DCD Revisions 16 through 19. The amendment replaces the combined license information items and design acceptance criteria ("DAC") with specific design information, addresses the effects of the impact of a large commercial aircraft, incorporates design improvements, and increases standardization of the design.

The AP1000 is the first and only reactor in its class of technological development, referred to as "Generation III+", to receive certification from the NRC.



The AP1000 is a pressurized water reactor with passive safety systems which, according to Westinghouse, in case of design basis accidents are designed to achieve a safe shutdown without operator action, AC power, or pumps.

Licensing. In March 2008, the Authority and SCE&G submitted to the NRC an application for Combined Construction and Operating Licenses ("COLs") for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC concluded its mandatory hearing process for the application and found the NRC staff's review adequate to make the necessary regulatory safety and environmental findings, clearing the way for the formal issuance of the COLs. The COLs were issued by the NRC and received by SCE&G and the Authority on March 30, 2012.

The NRC's findings concluding the mandatory hearing process imposed two conditions on the COLs, with the first requiring inspection and testing of squib valves, important components of the reactor's passive cooling system. The second requires the development of strategies to respond to extreme natural events resulting in the loss of power at the new reactors. The NRC also directed the Office of New Reactors to issue to SCE&G and the Authority, simultaneously with the COLs, an Order requiring enhanced, reliable spent fuel pool instrumentation, as well as a request for information related to emergency plant staffing.

In August 2013, the Authority and SCE&G submitted an overall integration plan for Summer Nuclear Units 2 and 3 for meeting these conditions. That plan is currently under review by the NRC. The Authority and SCE&G do not anticipate any additional regulatory actions as a result of that review, but the Authority cannot predict future regulatory activities or how such initiatives would impact construction or operation of Summer Nuclear Units 2 and 3.

Ownership Agreements. On October 20, 2011, the Authority and SCE&G 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 allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the units to a third party.

In December 2015, the Authority and SEC&G executed a Purchase and Sale Agreement (the "PSA") whereby SCE&G will purchase from the Authority an additional 5% interest in the project, implementing a January 2014 binding letter agreement. Under the terms of the agreement, SCE&G will own 60% of the new nuclear units and the Authority, 40%. The 5% ownership interest will be acquired in three stages, with 1% to be acquired at the commercial operation date of the first new nuclear unit, an additional 2% to be acquired no later than the first anniversary of such commercial operation date and the final 2% to be acquired no later than the second anniversary of such commercial operation date. The sale is subject to regulatory approvals including the PSC and the NRC. The purchase price will be equal to a pro-rata share of the Authority's actual cost of the units and reimbursement of its financing costs based on the percentage conveyed as of the date of the conveyance. The total purchase price is estimated to be between $600 and $800 million. The agreement will not impact the payment obligation for the full 45% ownership during construction. Under the terms of agreement with SCE&G the Authority cannot enter into an agreement to sell an additional portion of its 40% ownership interest until both units have been completed. However, the Authority is free to explore power sale opportunities from the facility.

Engineering, Procurement, and Construction Agreement - History and Project Schedule. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an Engineering, Procurement, and Construction ("EPC") Agreement, with a Consortium consisting of Westinghouse and Stone & Webster, Inc. During the course of activities under the EPC Agreement issues have materialized that have impacted project budget and schedule. The parties to the EPC Agreement have established both informal and formal dispute resolution procedures to resolve issues that arise during the course of constructing a project of this magnitude.

The table below outlines approved and proposed modifications to the substantial completion dates, settlement agreements and EPC amendments resulting from dispute resolutions.

Summary of Substantial Completion Dates.

	Unit 2	Unit 3
Original EPC - May 2008	April 2016	January 2019
EPC - COL Delay - July 2012	March 2017 (+11 months)	May 2018 (-8 months)
Proposed - Module Delay - June 2013	December 2017 - March 2018 (+9 to +12 months)	March 2019 (+10 months)
Proposed - Rebaselined Schedule - August 2014	December 2018 - June 2019 (+12 to +15 months)	June 2020 (+15 months)
EPC - October 2015 Amendment	August 31, 2019 (+2 to +8 months)	August 31, 2020 (+2 months)

The most recent modification to the EPC was an amendment entered into on October 27, 2015. This amendment resolved outstanding disputes, modified the Consortium structure, modified key terms and included revised substantial completion dates. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - October 2015 Amendment to the EPC Agreement" for additional details.

EPC History. Pursuant to the May 23, 2008 EPC Agreement, the Consortium will supply, construct, test, and start up two 1,117 MW nuclear generating units utilizing Westinghouse's AP1000 standard plant design. Under the EPC Agreement, the Authority will pay, in proportion to its ownership interest, a contract price that is subject to certain fixed price escalations and adjustments, adjustments for change orders and bonuses, and adjustments for cost overruns. A majority of the EPC Agreement costs are fixed or firm. In addition to EPC Agreement costs, the Authority will pay, in proportion to its ownership interest, costs associated with ancillary project facilities, staffing, project management and oversight by SCE&G and the Authority. In 2012, the COL was issued and the Authority's Board of Directors approved a budget for construction costs associated with a 45% ownership interest of approximately $5.1 billion including related transmission and initial nuclear fuel cores.

The EPC Agreement provides the Authority and SCE&G are jointly and severally liable for obligations under the EPC Agreement, to the extent such joint and several liability does not conflict with State law applicable to the Authority. Current State law provides the Authority shall be severally liable, in proportion to its joint ownership interest, for the acts, omissions, obligations performed, omitted, or incurred by SCE&G acting as agent for the Authority in constructing, operating or maintaining the Summer Units, but is not otherwise liable, jointly or severally for SCE&G's acts or omissions.

The EPC Agreement provided for certain liquidated damages upon the Consortium's failure to comply with schedule guarantees, as well as certain bonuses payable to the Consortium for schedule performance. The Consortium's liability for liquidated damages and for warranty claims is subject to a cap. The payment obligations of Westinghouse are guaranteed by Toshiba Corporation. The Authority and SCE&G may, at any time, terminate the EPC Agreement for their convenience and without cause, provided that the Authority and SCE&G will pay certain termination costs and, at certain stages of the work, termination fees to the Consortium. The Consortium may terminate the EPC Agreement under certain circumstances, including (i) failure by either SCE&G or the Authority to make payment to the Consortium in accordance with the EPC Agreement requirements, (ii) breach by either SCE&G or the Authority of a material provision of the EPC Agreement, or (iii) insolvency of either SCE&G or the Authority unless the other of SCE&G or the Authority has provided security for payments that would be due from such insolvent entity.

In October 2015 the Authority and SCE&G executed an agreement with the Consortium to resolve certain disputed matters and amend the EPC contract. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 – October 2015 Amendment to the EPC Agreement" for additional details.

EPC Project Schedule. As outlined in the table "Summary of Substantial Completion Dates" there have been several proposed and approved contractual schedule modifications. Claims specifically relating to COL delays, design modifications of the shield building and certain pre-fabricated structural modules and unanticipated rock conditions at the site resulted in assertions of contractual entitlement to recover additional costs to be incurred. On July 11, 2012, SCE&G, on behalf of itself and as agent for the Authority, agreed to a settlement with the Consortium which set the Authority's portion of the costs for these specific claims at approximately $113 million (in 2007 dollars). As a result of this settlement, the substantial completion dates for Summer Nuclear Units 2 and 3 changed from April 2016 and January 2019 (respectively) to March 2017 and May 2018.

Subsequent to July 2012, the Consortium continued to experience delays in the schedule for fabrication and delivery of sub-modules for the new units. After examination of this issue and consultation with the Consortium, in June 2013, SCE&G announced that the substantial completion of Summer Nuclear Unit 2 was expected to be delayed from March 2017 to late 2017 or the first quarter of 2018 and the substantial completion for Summer Nuclear Unit 3 was expected to be similarly delayed. The dates were not accepted as revised contractual substantial completion dates, and since August 2013 the Consortium has experienced additional delays.

During the fourth quarter of 2013, the Consortium began a full re-baselining of the Unit 2 and Unit 3 construction schedules to incorporate project delays associated with incomplete engineering and late submodule fabrication and deliveries. In early August 2014, SCE&G and the Authority received preliminary schedule information in which the Consortium indicated the substantial completion of Unit 2 was expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 may be approximately 12 months later.

Subsequent to receiving the August 2014 preliminary schedule information, SCE&G and the Authority received a preliminary cost estimate associated with the schedule delays. The estimate to achieve a late 2018 substantial completion date totaled $1.176 billion for non-firm and non-fixed scopes of work. In addition to delay-related costs, this figure included project scope modifications. This figure was presented as a total project cost in 2007 dollars subject to escalation and does not reflect consideration of the delay liquidated damages provisions of the EPC agreement which would partly mitigate any such delay-related costs.

SCE&G and the Authority have worked with Consortium executive management to evaluate this information. Based upon this evaluation, the Consortium has indicated that the Unit 2 substantial completion date was expected to occur by June 2019 and that the substantial completion date of Unit 3 may be approximately 12 months later. The dates were not accepted as revised contractual substantial completion dates.

October 2015 Amendment to the EPC Agreement. On October 27, 2015, the Authority's Board authorized the President and CEO of the Authority to execute a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent in connection with an October 2015 Amendment to the EPC Agreement. The Limited Agency Agreement was executed by SCE&G and the Authority on October 27, 2015.

On October 27, 2015, the EPC Agreement was amended ("October 2015 Amendment"). The October 2015 Amendment became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster from Chicago Bridge and Iron Company ("CB&I"). Stone & Webster will continue to be a member of the Consortium as a subsidiary of Westinghouse instead of CB&I. Westinghouse has engaged Fluor Corporation as a subcontracted construction manager.

Among other things, the October 2015 Amendment (i) resolves by settlement and release substantially all outstanding disputes between SCE&G and the Authority (collectively "Owner") and the Consortium, in exchange for (a) an additional cost of $300 million (Authority's 45% portion being $135 million) paid by the Owner and an increase in the fixed component of the contract price by that amount, and (b) a credit to Owner of $50 million (Authority's 45% portion being approximately $23 million) applied to the target component of the contract price, (ii) revises the guaranteed substantial completion dates of Units 2 and 3 to August 31, 2019 and 2020, respectively, (iii) revises the delay-related liquidated damages computation requirements, including those related to the eligibility of the Units to earn Internal Revenue Code Section 45J production tax credits, and caps those aggregate liquidated damages at $463 million per Unit (Authority's 45% portion being

approximately $208 million per Unit), (iv) provides for payment to the Contractor of a completion bonus of $275 million per Unit (Authority's 45% portion being approximately $124 million per Unit) for each Unit placed in service by the deadline to qualify for production tax credits, (v) provides for the development of a revised construction payment milestone schedule, with the Owner making monthly payments of $100 million (Authority's 45% portion being $45 million) for each of the first five months following effectiveness, followed by payments made based on milestones achieved, and (vi) cancels the CB&I Parent Company Guaranty with respect to the Project. The payment obligations under the EPC Agreement are joint and several obligations of Westinghouse and Stone & Webster, and the October 2015 Amendment provides for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Other Project Developments*" for additional details.

In addition to the above, this October 2015 Amendment provides for an explicit definition of a Change in Law designed to reduce the likelihood of certain commercial disputes. As part of this, the Consortium also acknowledges and agrees that the Project scope includes providing the Owner with Units that meet the standards of the NRC approved Design Control Document Revision 19. The October 2015 Amendment also provides for establishment of a dispute resolution board ("DRB") process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction payment milestone schedule referred to above. The EPC Agreement is also revised to eliminate the requirement or ability to bring suit before substantial completion of the Project.

The October 2015 Amendment provides the Owner an irrevocable option ("Fixed Price Option"), until November 1, 2016 and subject to regulatory approvals, 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 an agreed upon list of items under review, and 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 approximately $2.737 billion). This total amount to be paid would be subject to adjustment for amounts paid since June 30, 2015. Were this option to be exercised, the aggregate delay-related liquidated damages amount referred to in (iii) above would be capped at $338 million per Unit (Authority's 45% portion being approximately $152 million per Unit), and the completion bonus amounts referred to in (iv) above would be $150 million per Unit (Authority's 45% portion being approximately $68 million per Unit). SCE&G had previously informed the PSC that it had notified Westinghouse that it will elect the Fixed Price Option under the October 2015 Amendment, subject to formal concurrence by the Authority and the approval of the PSC. The Limited Agency Agreement dated October 27, 2015 provides that the Authority must give SCE&G its prior written consent before SCE&G may exercise the Fixed Price Option. On June 30, 2016, the Authority's Board of Directors adopted a resolution authorizing the President and CEO of the Authority to execute a Limited Agency Agreement with SCE&G that appoints SCE&G to act as the Authority's agent in connection with the exercise of the Fixed Price Option. In addition, the Board approved a $1.1 billion increase in the Authority's construction budget for the Project from the $5,148,948,000 approved by the Board on April 5, 2012 to $6,248,948,000. On July 1, 2016, SCE&G exercised, on behalf of the Owners, the Fixed Price Option in accordance with the requirements of Section 2 of the October 2015 Amendment. This option is still subject to approval by the PSC.

Finally, as noted above, the October 2015 Amendment provides for the development of a revised construction milestone payment schedule and establishes a DRB process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction milestone payment schedule. The Owner has been negotiating with the Consortium regarding the development of such schedule. To date, the parties have been unable to agree to the timing and amounts of various payments. Total estimated project costs and the guaranteed substantial completion dates are not at issue. The October 2015 Amendment provides that if the parties are unable to agree upon the revised construction milestone payment schedule by July 1, 2016, then, unless the parties agree or the process is otherwise delayed, the matter will be referred to the DRB. As a result of the failure to reach agreement, the Owner referred the matter to the DRB on August 1, 2016, and the DRB held a hearing on the dispute. The October 2015 Amendment provides that the DRB shall issue its report on the construction milestone payment schedule within 60 days and that for the 60-day period of DRB review, the Owner will pay the Consortium $100 million per month in lieu of all other payments (Authority's 45% portion being $45 million per month).

On September 30, 2016, the DRB issued an Order directing the parties to develop a milestone payment schedule subject to certain parameters. The DRB's Order also provides that the Owner shall pay to the Consortium for the months of October and November, 2016, the amounts of $133 million and $136.5 million,

respectively. In the event the Parties are unable to reach a full and final resolution of this dispute on or before November 8, 2016, the DRB shall conduct a further day of hearing in this matter and shall make its determination on or before November 30, 2016 based upon the record before it. The Owner is unable to predict the outcome of the DRB review.

Construction - Phase I. Phase I of the work consisted of the Consortium's engineering support and other services required by SCE&G and the Authority to support licensing efforts for Summer Nuclear Units 2 and 3 (including receipt of approvals from the PSC), continuation for design work, project management, engineering and administrative support to procure long lead time equipment, construction mobilization, site preparation, site infrastructure development, and installation of construction facilities. Phase I commenced May 23, 2008, with execution of the EPC Agreement, and was completed April 17, 2012 with SCE&G and the Authority's issuance of Full Notice to Proceed following receipt of the COLs.

Construction - Phase II. Phase II of the work consists of the remainder of the work required to supply, construct, test, and start up two AP1000 nuclear power plant units as is consistent with the AP1000 certified design. Phase II work is progressing and a number of key construction milestones have been achieved.

Summer Nuclear Unit 2	
Energized Switchyard	February 1, 2013
Placed Nuclear Island Basemat (First Nuclear Concrete)	March 11, 2013
Set Containment Vessel Bottom Head	May 22, 2013
Set Structural Module CA04 (Reactor Vessel Cavity)	September 27, 2013
Set Structural Module CA20 (Auxiliary Building Module)	May 9, 2014
Set Containment Vessel Ring 1	June 2, 2014
Set Structural Module CA05	December 6, 2014
Set Structural Module CA01(Steam Generator & Refueling Canal)	July 23, 2015
Placed Turbine Building First Bay Basemat Concrete	September 9, 2015
Placed Turbine-Generator Pedestal Concrete	December 20, 2015
Set Structural Module CA03 (IRWST)	July 20, 2016
Set Structural Module CA02 (IRWST/Pressurizer Wall)	August 5, 2016
Set Reactor Vessel	August 30, 2016

Summer Nuclear Unit 3	
Energized Switchyard	February 1, 2013
Placed Nuclear Island Basemat (First Nuclear Concrete)	November 4, 2013
Set Containment Vessel Bottom Head	May 21, 2014
Set Structural Module CA04 (Reactor Vessel Cavity)	June 29, 2015
Set Structural Module CA20 Subassemblies 3&4	March 12, 2016
Set Containment Vessel Ring 1	April 13, 2016
Set Structural Module CA05	May 2, 2016
Set Structural Module CA20 Subassemblies 1&2	August 16, 2016

Project Update. The following table sets forth the current status of the project components.

Project component	% Complete
Engineering	91%
Procurement	81%
Construction	28%

Other Project Developments. In addition to the above-described project issues, the Authority is also aware of financial difficulties that have been experienced by Mangiarotti S.p.A. ("Mangiarotti"), an Italy based supplier responsible for certain significant components of the project. Since first becoming aware of these financial difficulties, the Consortium has monitored the potential for disruptions in such equipment fabrication and possible responses. In September 2014, Westinghouse completed the acquisition of Mangiarotti, in order to secure this supplier. To date, ten components have been received on-site from Mangiarotti. The remaining two components are in fabrication and expected to be received on-site in 2016.

In late 2015, Toshiba's credit ratings declined to below investment grade following disclosures regarding its operating and financial performance and near-term liquidity. As a result, pursuant to the above-described terms of the EPC Contract, the Authority and SCE&G obtained payment and performance bonds from Westinghouse in the form of standby letters of credit totaling $45 million (or approximately $20 million for the Authority's 45% share). These standby letters of credit expire annually and automatically renew for successive one-year periods until their final expiration date of August 31, 2020, unless the issuer provides a minimum 60-day notice that it will not renew. In the event that Westinghouse would be unable to meet its payment and performance obligations under the EPC Contract, it is anticipated this funding would provide a source of liquidity to assist in an orderly transition and in enabling construction activities to continue. In addition, the EPC Contract provides that upon the request of the Authority and SCE&G, the Consortium must escrow certain intellectual property and software for the benefit of the Authority and SCE&G to enable completion of the Summer Nuclear Units 2 and 3. An escrow arrangement and a schedule for deposit of intellectual property and software are being developed. While there have been no indications to date that Westinghouse will not meet its obligations under the EPC Contract, the Authority and SCE&G cannot predict the outcome of these matters, and continue to monitor developments for potential impacts to both the construction schedule and costs.

Nuclear Construction - Risk Factors. The construction of large generating plants such as Summer Nuclear Units 2 and 3 involves significant financial risk. Delays or cost overruns may be incurred as a result of risks such as (a) inconsistent quality of equipment, materials and labor, (b) work stoppages, (c) regulatory matters, (d) unforeseen engineering problems, (e) unanticipated increases in the cost of materials and labor, (f) performance by engineering, procurement, or construction contractors, and (g) increases in the cost of debt. Moreover, no nuclear plants have been constructed in the United States using advanced designs such as the Westinghouse AP1000 reactor. Therefore, estimating the cost of construction of any new nuclear plant is inherently uncertain.

To mitigate risk, SCE&G, acting for itself and as agent for the Authority, provides project oversight for Summer Nuclear Units 2 and 3 through its New Nuclear Deployment ("NND") business unit. The Authority provides dedicated on-site personnel to monitor and assist NND with the daily oversight of the project. The managerial framework of the NND group is comprised of in-house nuclear industry veterans who lead various internal departments with expertise in: nuclear operations, engineering, construction, maintenance, quality assurance and nuclear regulations. This expertise is dispatched locally to monitor on-site construction as well as domestically (and abroad) to provide surveillance at all major equipment manufacturers. In addition, NND representatives make frequent visits and work closely with the Consortium to monitor progress and issues (engineering, labor, supplier issues, etc.) associated with the AP1000 nuclear power units currently under construction in China, as well as the AP1000 units currently under development at nearby Plant Vogtle in Waynesboro, Georgia.

In addition to the NND, the terms of the amended EPC agreement provide additional risk mitigation. Additional cost of the Owners resulting from delays is mitigated by increased delay related liquidated damages, and the Fixed Price Option. Finally, the Authority has sufficient generating capacity to manage delays of units coming online and the ability to pass fuel cost differentials to its customers through its existing rates. In addition, O&M costs associated with Summer Nuclear Units 2 and 3, currently in the Authority's rate forecast, will not be incurred during any delay period.

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HISTORICAL SALES

Historical Demand, Sales and Revenues

The following table sets forth the territorial peak demand including firm off-system sales to other utilities, if any, on the Authority's System as well as the million kWh ("GWh") sales and electric revenues of the Authority for the years 2006 through 2015. See "CUSTOMER BASE - Wholesale - Central

	Peak Demand(1)		Sales		Revenue From Sales		
	MW	Annual Increase (Decrease)	GWh	Annual Increase (Decrease)	Amount (Dollars in Thousands)	Annual Increase (Decrease)	Cents Per kWh
2006	5,218	(3.2)	25,422	1.4	1,396,252	4.6	5.49
2007	5,584	7.0	27,221	7.1	1,448,327	3.7	5.32
2008	5,672	1.6	26,687	(2.0)	1,568,618	8.3	5.88
2009	5,612	(1.1)	25,813	(3.3)	1,683,469	7.3	6.52
2010	5,762	2.7	28,182	9.2	1,875,263	11.4	6.65
2011	5,697	(1.1)	27,552	(2.2)	1,894,847	1.0	6.88
2012	5,407	(5.1)	26,756	(2.9)	1,868,808	(1.4)	6.98
2013	5,053	(6.6)	26,364	(1.5)	1,796,672	(3.9)	6.81
2014	5,696	12.7	27,353	3.8	1,975,851	10.0	7.22
2015	5,869	3.5	26,498	(3.1)	1,857,000	(6.0)	7.01
Annual Compound Growth Rate (2006-2015)		1.4		0.5		3.2	

(1) Includes firm off-system sales to other utilities.

The following tables set forth sales and revenues by customer class for the years 2011 through 2015.

Sales (GWh)

	Year									
	2011		2012		2013		2014		2015	
Class of Customers		% of Total		% of Total		% of Total		% of Total		% of Total
Wholesale	16,263	59.0	15,604	58.3	15,246	57.8	16,151	59.1	15,307	57.8
Large Industrial	7,443	27.0	7,509	28.1	7,421	28.1	7,343	26.8	7,339	27.7
Residential, Commercial, Small Industrial and Other	3,845	14.0	3,643	13.6	3,697	14.1	3,859	14.1	3,852	14.5
Total	27,551	100.0	26,756	100.0	26,364	100.0	27,353	100.0	26,498	100.0

Revenues (Dollars in Thousands)

	Year									
	2011		2012		2013		2014		2015	
Class of Customers		% of Total		% of Total		% of Total		% of Total		% of Total
Wholesale	$1,129,445	59.6	$1,144,223	61.2	$1,058,943	58.9	$1,181,350	59.8	$1,121,325	60.4
Large Industrial	415,309	21.9	389,742	20.9	381,689	21.2	399,817	20.2	354,148	19.1
Residential, Commercial, Small Industrial and Other	350,093	18.5	334,843	17.9	356,040	19.9	394,683	20.0	381,527	20.5
Total	$1,894,847	100.0	$1,868,808	100.0	$1,796,672	100.0	$1,975,850	100.0	$1,857,000	100.0

FINANCIAL INFORMATION

Historical Operating Results

A summary of the Authority's revenues available for debt service, lease payments and other purposes for years 2011 through 2015 is set forth below:

	Calendar Year (Dollars in Thousands)				
	2015	2014	2013	2012	2011
Operating Revenues	$1,879,553	$1,997,347	$1,816,576	$1,887,797	$1,914,689
Other Income (1)	9,207	29,023	3,945	9,025	8,081
Total	1,888,760	2,026,370	1,820,521	$1,896,822	$1,922,770
Operating Expenses (2)	1,326,449	1,445,481	1,327,370	1,379,158	1,366,423
Revenues Available for Debt Service, Lease Payments and Other Purposes	562,311	580,889	493,151	517,664	556,347
Debt Service on Revenue Obligations (3)	387,066	377,620	325,420	356,852	342,621
Balance Available for Lease Payments and Other Purposes	175,245	203,269	167,731	160,812	213,726
Debt Service on Lease Payments (4)	0	220	939	1,346	1,559
Balance Available for Other Purposes	$ 175,245	$ 203,049	$ 166,792	$ 159,466	$ 212,167
Debt Service Coverage (5):					
Revenue Obligations and Lease Payments	1.45	1.53	1.51	1.44	1.61

(1) Years 2013 through 2015 include only interest and investment income. Years 2011 and 2012 include interest subsidy payments for the 2010 Build America Bonds ("BABs") and exclude gains on sale of leased lots or rail cars.

(2) Years 2013 through 2015 exclude depreciation only. Years 2011 and 2012 exclude depreciation and sums in lieu of taxes paid by Special Reserve Fund.

(3) The Revenue Obligation Resolution provides for debt service of Revenue Obligations to be paid from Revenues prior to payments for operating and maintenance expenses. See "SECURITY FOR THE 2016C BONDS - Rate Covenant."

(4) This category of debt is no longer outstanding.

(5) Calculation of coverage excludes debt service on Commercial Paper Notes and Other and is prior to the distribution to the State.

Management's Comments on Selected Financial Information

The following table sets forth selected financial information of the Authority for years 2015 and 2014.

Calendar Year 2015 Versus 2014

	Year		Variance	
	2015	2014		
	(Audited) (Dollars in Thousands)			%
Operating:				
Operating revenues	$ 1,879,553	$ 1,997,347	$ (117,794)	(6)
Operating expenses	1,502,488	1,619,224	(116,736)	(7)
Operating income	377,065	378,123	(1,058)	0
Non-operating revenues (expenses):				
Interest charges	(279,103)	(274,993)	4,110	1
Costs to be recovered from future revenue (expense)	(6,435)	19,798	26,233	133
Other non-operating revenues (expenses)	(37,012)	26,067	(63,079)	242
Income before transfers	54,515	148,995	(94,480)	(63)
Capital contributions and transfers	(20,116)	(20,659)	(543)	(3)
Change in net position	34,399	128,336	(93,937)	(73)
Total net position - beginning	2,168,463	2,040,127	128,336	6
Restatement for GASB 68 implementation	(261,072)	0	(261,072)	100
Total net position - ending	$ 1,941,790	$ 2,168,463	$ (226,673)	(10)

Operating revenues decreased $117.8 million or 6%. This resulted primarily from lower fuel rate revenues, 3% lower kWh sales and 2% lower demand usage. Partially offsetting the decreases were higher O&M rate revenues, energy related fixed cost rates, and impacts between the 2014 and 2015 Central Cost of Service adjustments.

Operating expenses decreased $116.7 million or 7%. Fuel and purchased power expenses decreased by $150.9 million due to lower kWh sales, higher commodity prices in the prior year and a shift in generation mix. Partially offsetting the decreases were the following: (1) non-fuel generation was higher by $27.6 million from labor, contract services, materials, and nuclear expenses; (2) transmission was higher by $2.4 million from a self-insurance claim, labor, benefits, contract services, and lower New Horizon Electric Cooperative reimbursements; (3) sales promotion expense was higher by $1.1 million due to higher accruals of a portion of economic development's Site Readiness grants; and (4) depreciation was higher by $2.1 million. The net change in other expense categories netted an increase of approximately $1.0 million.

Operating income decreased by $1.1 million as a result of the above variances.

Interest charges increased by $4.1 million or 1% due to the impact of 2014 and 2015 bond activity.

Costs to be recovered from future revenue ("CTBR") expense increased by $26.2 million due primarily to the net impact of approved accounting changes to the CTBR calculation methodology in 2015.

Other non-operating revenues decreased $63.1 million mainly due to the current year amortization of the remaining balance of the Pee Dee assets, reclassification of the Duke Energy good faith deposit in the prior year and higher interest income in the prior year from the Santee River case settlement.

The $543,000 variance in Capital contributions and transfers represents a decrease in dollars paid to the State. This payment is based on a percentage of total budgeted revenues which were lower in the 2015 budget compared to the 2014 budget.

The change in net position totaled $34.4 million, a $93.9 million or 73% decrease.

The required December 31, 2015 implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, resulted in a prior period adjustment that reduced the beginning total net position by $261.1 million.

As a result of the variances above, total net position was approximately $1.9 billion, a $226.7 million decrease.

The Six Months Ended June 30, 2016 Versus June 30, 2015

	Six Months Ended June 30,			
	2016	2015	Variance	
	(Unaudited) (Dollars in Thousands)			%
Operating:				
Operating revenues	$ 827,115	$ 945,082	$(117,967)	(12)
Operating expenses	658,785	764,050	(105,265)	(14)
Operating income	168,330	181,032	(12,702)	(7)
Non-operating revenues (expenses):				
Interest charges	(135,450)	(138,837)	(3,387)	(2)
Costs to be recovered from future revenue (expense)	(3,210)	12,384	15,594	126
Other non-operating revenues (expenses)	(11,275)	(17,001)	5,726	34
Income before transfers	18,395	37,578	(19,183)	(51)
Capital contributions and transfers	(10,439)	(9,678)	761	8
Change in net position	7,956	27,900	(19,944)	(71)
Total net position - beginning	1,941,790	2,168,463	(226,673)	(10)
Total net position - ending	$1,949,746	$2,196,363	$(246,617)	(11)

Operating revenues for the six months ended June 30, 2016 totaled approximately $827.1 million, a $118.0 million or 12% decrease. The primary drivers were 14% lower energy sales and 19% lower demand usage resulting from the reduction of load from industrial and wholesale customers in addition to milder weather. Lower fuel rate revenues also contributed to the reduction in revenues. Slightly offsetting these reductions were higher demand and energy-related fixed cost rates.

Operating expenses decreased $105.3 million or 14%. Fuel and purchased power was lower by $97.5 million due to lower kWh sales and higher commodity prices in the prior year. There were decreases of $5.0 million in net non-fuel generation due to contract services and materials and decreases of $4.3 million in sales promotion due to the reversal of prior accrued Site Readiness grants. The net change in other expense categories was an increase of approximately $1.5 million.

As a result of the above variances, operating income decreased $12.7 million or 7%.

Interest charges decreased by $3.4 million resulting from the 2015 and 2016 bond activity.

CTBR expense increased by $15.6 million from the net impact of 2015 approved accounting changes to the CTBR calculation methodology.

Other non-operating revenues increased approximately $5.7 million primarily due to higher interest income and an increase in the change in fair value of investments.

The $761,000 variance in Capital contributions and transfers represents an increase in dollars paid to the State. This payment is based on a percentage of total budgeted revenues for the corresponding periods.

The change in net position was $8.0 million, a $19.9 million decrease.

The Total net position-beginning amount for Year 2016 includes a $261.1 million reduction for the prior period adjustment for the required December 31, 2015 implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

As a result of the above variances, net position totaled approximately $1.9 billion, a $246.6 million decrease.

The Six Months Ended June 30, 2016 Compared to Budget for the Same Period

	Actual	Budget	Variance	
	(Unaudited) (Dollars in Thousands)			%
Operating:				
Operating revenues	$ 827,115	$ 874,995	$ (47,880)	(5)
Operating expenses	658,785	698,819	(40,034)	(6)
Operating income	168,330	176,176	(7,846)	(4)
Non-operating revenues (expenses):				
Interest charges	(135,450)	(135,826)	(376)	0
Costs to be recovered from future revenue (expense)	(3,210)	(246)	2,964	1205
Other non-operating revenues (expenses)	(11,275)	(10,358)	(917)	(9)
Income before transfers	18,395	29,746	(11,351)	(38)
Capital contributions and transfers	(10,439)	(8,752)	1,687	19
Change in net position	$ 7,956	$ 20,994	$ (13,038)	(62)

Operating revenues for the six months ended June 30, 2016 were lower than budgeted by $47.9 million primarily due to lower than expected energy sales and demand usage, along with lower fuel rate revenues and the net impacts from the Central Cost of Service adjustment.

Operating expenses were lower than projected by $40.0 million primarily due to underruns in: (1) fuel and purchased power ($11.2 million) due to lower than expected energy sales and shifts in commodity prices; (2) non-fuel generation ($2.8 million) from materials and fleet expense; (3) transmission ($1.9 million) from labor, materials, contract services, telecommunications, fleet and equipment expense, wheeling and New Horizon reimbursements; (4) distribution ($900,000) from labor, contract services and overheads; (5) sales promotion ($7.8 million) due to timing differences and updates between actual and budget for Site Readiness and other economic grants; (6) administrative and general expense ($9.2 million) resulting from labor, benefits overhead and contract services; and (7) depreciation ($5.4 million). The remaining expense categories netted a budget underrun of $800,000.

Operating income was $7.8 million or 4% lower than budgeted due to the above variances.

Interest charges were slightly below budget by $400,000 due to 2015 and 2016 bond activity.

CTBR expense was higher than budgeted by $3.0 million resulting from the net impact of approved accounting changes to the CTBR calculation methodology that was not reflected in the budget.

Other non-operating revenue was $900,000 lower than projected due mainly to the lower than projected interest income and loss on sale of coal.

Capital contributions and transfers were $1.7 million higher than budgeted due to timing differences. The actual amount represents a percentage of the last six months of budgeted revenues for 2015, while the budget includes a percentage of the first six months of budgeted revenues for 2016.

As a result of the variances noted above, the change in net position was $13.0 million lower than budgeted.

Combined Statements of Net Position
Periods Ended June 30, 2016 and December 31, 2015

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(Dollars in Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 145,574	$ 113,413
Unrestricted investments	465,959	531,120
Restricted cash and cash equivalents	103,497	168,930
Restricted investments	843,369	1,165,630
Receivables, net of allowance for doubtful accounts	227,510	175,931
Other current assets	968,793	1,000,247
Total current assets	$ 2,754,702	$ 3,155,271
Noncurrent assets		
Restricted cash and cash equivalents	$ 12,352	$ 205
Restricted investments	120,881	126,282
Utility plant	11,400,206	10,985,367
Accumulated depreciation	(3,555,499)	(3,476,246)
Investment in associated companies	6,581	7,001
Unamortized debt expenses	37,337	39,249
Costs to be recovered from future revenue	237,713	240,923
Regulatory asset - asset retirement obligation	718,180	699,748
Other noncurrent and regulatory assets	217,782	215,987
Total noncurrent assets	$ 9,195,533	$ 8,838,516
Total assets	$11,950,235	$11,993,787
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	$ 31,430	$ 31,430
Accumulated decrease in fair value of hedging derivatives	58,818	91,372
Unamortized loss on refunded and defeased debt	178,929	133,932
Total deferred outflows of resources	$ 269,177	$ 256,734
Total assets & deferred outflows of resources	$12,219,412	$12,250,521
LIABILITIES		
Long-term debt - net	$ 7,353,239	$ 7,306,469
Current liabilities	1,208,790	1,299,591
Noncurrent and other liabilities	1,456,925	1,469,189
Total liabilities	$10,018,954	$10,075,249
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	$ 17,424	$ 17,424
Accumulated increase in fair value of hedging derivatives	7,596	4,701
Nuclear decommissioning costs	225,692	211,357
Total deferred inflows of resources	$ 250,712	$ 233,482
NET POSITION		
Net investment in capital assets	$ 1,164,299	$ 1,195,402
Restricted for debt service	62,008	79,771
Restricted for capital projects	4,304	4,304
Unrestricted	719,135	662,313
Total net position	$ 1,949,746	$ 1,941,790
Total liabilities, deferred inflows of resources & net position	$12,219,412	$12,250,521

REGULATORY MATTERS

The Electric Utility Industry Generally

The electric utility industry in general has been affected by regulatory changes, market developments and other factors which have impacted, and will probably continue to impact, the financial condition and competitiveness of electric utilities and the level of utilization of facilities, such as those of the Authority. Such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes that might result from national energy policies, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and strategic alliances of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (e) increased competition from independent power producers, marketers and brokers, (f) self-generation by certain industrial, commercial and residential customers, (g) issues relating to the ability to issue tax-exempt obligations, (h) restrictions on the ability to sell to nongovernmental entities electricity from projects financed with outstanding tax-exempt obligations, (i) changes from projected future load requirements, (j) increases in costs, and (k) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

The Authority cannot determine with certainty what effects such factors will have on its business operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from sources in the public domain, and potential purchasers of the 2016C Bonds should obtain and review such information.

Environmental Matters

Both the EPA and the South Carolina Department of Health and Environmental Control (the "DHEC") have imposed various environmental regulations and permitting requirements affecting the Authority's facilities. These regulations and requirements relate primarily to airborne pollution, the discharge of pollutants into waters and the disposal of solid and hazardous wastes. The Authority endeavors to ensure its facilities comply with applicable environmental regulations and standards; however, no assurance can be given that normal operations will not encounter occasional technical difficulties or that necessary permits and authorizations will be received. Federal and state standards and procedures that govern control of the environment and systems operations can change. These changes may arise from legislation, regulatory action, and judicial interpretations regarding the standards, procedures and requirements for compliance and issuance of permits. Therefore there is no assurance that units in operation, under construction, or contemplated will remain subject to the regulations that are currently in effect. Furthermore, changes in the clean air laws and environmental standards may result in increased capital and operating costs.

Air Quality

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address air quality. Pursuant to the Clean Air Act ("CAA"), as amended, the EPA promulgated primary and secondary national ambient air quality standards ("NAAQS") with respect to certain air pollutants, including particulate matter, SO_2 and nitrogen oxide ("NO_x"). These standards are to be achieved by the application of control strategies developed by the states and included in implementation plans which must be approved by the EPA to become effective. DHEC has adopted a State Implementation Plan ("SIP"), which has been approved by the EPA, generally designed to achieve the primary and secondary air quality standards. The EPA also promulgated the New Source Performance Standards ("NSPS") regulations establishing stringent emission standards for particulate matter, SO_2 and NO_x emissions for fossil-fuel fired steam generators, and revised these standards in 1979 and 2005. Congress has enacted comprehensive amendments to the 1990 CAA, including the addition of a federal Acid Rain program to deal with acid precipitation. The Authority is in compliance with these regulatory requirements.

Evolving Regulatory Requirements

Clean Air Interstate Rule and Cross State Air Pollution Rule. The federal Clean Air Interstate Rule (the "CAIR"), which addresses NO_x and SO_2 emissions, took effect July 11, 2005. The EPA issued a final replacement to the CAIR rule, the Cross-State Air Pollution Rule ("CSAPR"), on July 6, 2011, which was scheduled to take effect January 1, 2012. On December 30, 2011 the U.S. Court of Appeals for the D.C. Circuit issued its ruling to stay the CSAPR pending judicial review. On August 21, 2012, the U.S. Court of Appeals for the D.C. Circuit issued its ruling vacating CSAPR. The EPA appealed the Court's ruling but the appeal was denied by the U.S. Court of Appeals for the D.C. Circuit. The EPA appealed the U.S. Court of Appeals decision to the U.S. Supreme Court. On April 29, 2014, the U.S. Supreme Court reversed the Court of Appeals and remanded the case to the D.C. Circuit for further action. In June 2014, the EPA filed a motion with the U.S. Court of Appeals for the D.C. Circuit to lift the stay of the CSAPR, and on October 23, 2014, the court agreed to lift the stay. Emission budgets will apply on January 1, 2015 for the annual programs, and on May 1, 2015 for the ozone-season NOx program. On December 3, 2015, EPA published a proposed rule updating CSAPR. One of the updates would remove South Carolina from the CSAPR ozone-season NOx trading program. The existing rule and the proposed updates are not expected to negatively impact the Authority.

Mercury and Air Toxics Standard. Over the last several years EPA has been evaluating appropriate Maximum Achievable Control Technology ("MACT") standards for source categories and proposing various regulatory programs for mercury control for power plants. On April 16, 2012, the final rule, renamed the Mercury and Air Toxics Standard ("MATS"), became effective with a compliance deadline of April 16, 2015. Although somewhat less stringent than the earlier proposed MACT rule, MATS will have significant impacts on the Authority's coal-fired units. The Authority has evaluated the impact of this rule to its existing coal-fired fleet; and it was factored into the decision to retire six electric generating units. MATS will require use of additional control technology on the remaining eight coal-fired units at Cross and Winyah Generating Stations. The Authority received an extension of the compliance deadline until April 16, 2016 and has submitted notifications of compliance for individual units subject to MATs. Based on the existing rule, the Authority has estimated the capital costs for compliance not to exceed $55 million. See "CAPITAL IMPROVEMENT PROGRAM - General." On June 29, 2015, the U.S. Supreme Court remanded MATS to a lower court because EPA did not properly consider costs in the final rule. The rule has remained in effect during this court action.

Greenhouse Gases. On September 22, 2009, the EPA announced a final rule on the new GHG reporting program. This rule is commonly referred to as the Greenhouse Gas Mandatory Reporting Rule ("GHG-MRR"). Beginning January 1, 2010, the Authority was required to annually report GHG emissions data to the EPA for any of its facilities that emit 25,000 metric tons or more of CO_2 or equivalent per year. This reporting requirement applies to the Authority's larger generating facilities, and electrical transmission and distribution equipment. The Authority has filed annual reports in compliance with this requirement.

The EPA and Congress continue to consider strong measures that will reduce GHG emissions from major sources, including electric utilities, as well as implementation of other complementary measures to reduce GHG emissions. The EPA in 2009 found that by causing or contributing to climate change, GHGs endanger both the public health and the public welfare of current and future generations. Based on this finding, in March, 2012, the EPA first proposed new source performance standards for emissions of carbon dioxide ("CO_2") for new fossil fuel-fired electric utility generating units ("EGUs") constructed for the purpose of supplying more than 25MW net electric output. The EPA proposed these requirements because CO_2 is a greenhouse gas ("GHG") and fossil fuel-fired power plants are the country's largest anthropogenic stationary source emitters of GHGs.

This proposal was withdrawn in September 2013 and re-proposed on January 8, 2014. There were several changes from the 2012 proposal, but essentially, the controls EPA proposed for new units, particularly carbon capture and sequestration, could prohibit construction of new coal-fired power plants based on cost and technological limitations. The Authority submitted comments to the EPA as it relates to potential new generation for the Authority's fleet.

On June 18, 2014, EPA published proposed rules on existing and modified fossil-fired generating units, titled the "Clean Power Plan." Included in the proposed rule were state-by-state reduction targets. EPA's proposed target for South Carolina was very aggressive, mainly because of the inconsistent treatment of non-carbon emitting under-construction nuclear units. The Authority submitted extensive comments to the rules.

On August 3, 2015, EPA announced the final Clean Power Plan Rule for New, Existing and Modified and Reconstructed Electric Generating Units. This rule was published in the Federal Register on October 23, 2015 and was to become effective December 22, 2015. While the final rule now treats under-construction nuclear units consistently with other non-carbon emitting sources, the Authority is still evaluating the effect of this regulation. Numerous legal actions have been filed to challenge various aspects of this regulation and could delay implementation. On February 8, 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan Rule, halting implementation of the rule pending the resolution of legal challenges. The Clean Power Plan is not in effect at this time. In addition, on August 3, 2015 the EPA also published a proposed Federal Plan and Model Trading Rule. The Authority submitted extensive comments. On June 16, 2016, EPA proposed design elements of the Clean Power Plan "Clean Energy Incentive Program ("CEIP")." The CEIP promotes early investment in clean energy to assist states with future Clean Power Plan compliance. The Authority is preparing comments to this proposal. The Authority will continue to evaluate the rule as well as monitor legal, regulatory and legislative developments associated with the Clean Power Plan. The Authority continues to work with other State stakeholders including DHEC and utilities to evaluate future Clean Power Plan compliance.

Ozone - National Ambient Air Quality Standards for Ozone, Proposed Rule. On November 26, 2014, the EPA completed the federally mandated 5-year review of the national ambient air quality standards ("NAAQS") for ozone and proposed a revised ground-level ozone standard range of 65 to 70 parts per billion. On October 1, 2015, EPA announced that the new NAAQS for ozone will be set at 70 parts per billion. This will apply to both the primary and secondary ozone standards. EPA projections, based on current monitoring networks, are that all counties in the State will meet the revised standard by 2025 without taking additional action to reduce emissions.

Water Quality

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address water quality. The Clean Water Act ("CWA") prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System ("NPDES") permit program. The DHEC has been delegated NPDES permitting authority by the EPA and administers the program for the State. Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits. The DHEC also has permitting authority for stormwater discharges and the Authority manages stormwater pursuant to the DHEC issued Industrial General Permits and Construction General Permits.

Evolving Regulatory Requirements

316(b) Fish Protection Regulations. Section 316(b) of the CWA requires that NPDES permits for facilities with cooling water intake structures ensure that the structures reflect the Best Technology Available ("BTA") to minimize adverse environmental impacts from impingement and entrainment of fish and egg larvae. The EPA published the final 316(b) rule

on August 15, 2014, and the rule became effective October 15, 2014. The Authority has reviewed the rule to determine the potential impact to the Authority's applicable generating facilities. The Authority had estimated and budgeted cost of compliance of approximately $9.6 million through 2021 based on the rule. However, the retirement of Jefferies Units 1 and 2 will greatly reduce the cost of compliance with the 316(b) rule, and no changes are expected to be required to the existing Cross, Winyah, and Rainey intake structures. The DHEC may require testing at Winyah and Rainey Generating Stations.

Effluent Limitation Guidelines. The NPDES Steam Electric Effluent Limitation Guidelines 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 for new sources are also included. The guidelines propose stricter performance standards that will require upgrades and installation of additional wastewater treatment systems for certain facilities including Winyah and Cross Generating Stations. The Authority is currently reviewing compliance options and evaluating the cost of compliance of these options.

Waters of the U.S. ("WOTUS"). On June 29, 2015, the EPA and Corps published the final rule that defined WOTUS. The rule became effective August 28, 2015. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying the WOTUS rule nationwide pending completion of the Court's review of the rule. The final rule expands the federal jurisdiction under the CWA. If the stay of the rule is lifted and the rule remains in place, it is expected that for new construction or expansion projects there will be more water features regulated as WOTUS, requiring additional permitting and mitigation. The Authority submitted comments to the proposed rule and continues to monitor the ongoing legal challenges and technical interpretations of the final rule. The Authority cannot fully estimate the potential cost of compliance due to the ongoing legal challenges and limited information from the Corps on implementation of the rule.

Drinking Water

The Authority continues to monitor for Safe Drinking Water Act 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 the State. The State Primary Drinking Water Regulation, R.61-58, governs the design, construction and operational management of all potable water systems in the State subject to and consistent with the requirements of the Safe Drinking Water Act and the implementation of federal drinking water regulations.

Solid and Hazardous Waste and Hazardous Substances

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address hazardous substances and wastes. The Resource Conservation and Recovery Act ("RCRA"), under Subtitle C, is the overarching regulation which provides the framework for proper management of hazardous waste including hazardous waste identification, classification, generation, storage, transportation, and disposal. Additional regulations that impact solid and hazardous waste and substances are the CWA, which imposes substantial penalties for spills of oil or 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") which provides for the reporting requirements to cover the release of hazardous substances generally into the environment, including water, land and air, and imposes liability upon any generators, transporters or arrangers of disposal of hazardous substances, and the CERCLA and Superfund Amendments and Reauthorization Act ("SARA"), which require compliance with programs for emergency planning and public information, and the Department of Transportation's ("DOT"), Hazardous Materials Transportation Act ("HMTA"), which governs the safe transportation of hazardous materials, substances, and waste. Additionally, the EPA regulations under the Toxic Substances Control Act impose stringent requirements for labeling, handling, storing

and disposing of polychlorinated biphenyls ("PCB") and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has a comprehensive PCB management program in response to these regulations.

Evolving Regulatory Requirements

Solid Waste – Coal Combustion Residual Rule. 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"), have been exempt from hazardous waste regulation under the RCRA. On December 19, 2014, the EPA issued a rule to regulate CCRs under the solid waste provisions, Subtitle D of RCRA, as a nonhazardous waste. The final rule was published in the Federal Register on April 17, 2015 and became effective October 19, 2015. The rule regulates the CCRs as a RCRA Subtitle D, nonhazardous waste. The rule establishes criteria for existing and new CCR landfills and surface impoundments, including:

- Location restrictions
- Design and construction requirements;
- Operating criteria such as inspections, structural integrity evaluations, and fugitive dust controls;
- Groundwater monitoring and corrective action;
- Closure requirements and post-closure care;
- Record keeping, notifications, and internet posting requirements.

The CCR Rule was evaluated in conjunction with the draft ELG Rule because of the overlapping or coordinating requirements related to ash ponds. The estimated construction costs for compliance with these two Rules from 2016 through 2024 is $742 million.

Beneficial Use of Coal Combustion Products. 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 provides synthetic gypsum to American Gypsum for their wallboard production requirements. Gypsum is also marketed to cement companies and ponded gypsum is reclaimed and marketed for agriculture on a limited basis. 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.

Industrial Solid Waste Landfills. At Cross Generating Station, dry CCRs which are not beneficially used, are disposed of into an industrial Class 3 solid waste landfill. Construction was completed on this Class 3 landfill in 2015 and it was placed into operation on January 1, 2016. The Class 2 landfill at Cross Station ceased operations on December 31, 2015, and closure was completed in accordance with state and federal regulations and with DHEC approval. At Winyah Generating Station, permitting is ongoing for a Class 3 landfill. Both the Cross and Winyah Class 3 landfills are part of our CCR and ELG compliance strategy.

Plant and Pond Closures

The Authority is closing ash ponds at Grainger, Winyah and Jefferies generating stations due to unit retirements. Closure is through excavation and beneficial use of the ash in the cement industry. A closure plan for the Grainger Generating Station ash ponds has been approved by DHEC and closure through beneficial use is in progress. Over 550,000 tons of ash have been removed from the Grainger ponds and beneficially used to produce cement since 2014. An ash pond closure plan for Jefferies which involves excavation and beneficial use was submitted to DHEC on May 16, 2016. Beneficial use of the ash at Jefferies is in progress. A pond closure plan for Winyah Generating Station's Unit 2 Slurry Pond and West Ash Pond was submitted to DHEC and was conditionally

approved on October 15, 2015. Both ponds are being closed through excavation and removal for beneficial use.

FERC Hydro Licensing

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 submitted March 12, 2004. Due to a number of Additional Information Requests, the relicensing process has extended beyond the 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.

NERC Regulation

The NERC establishes and enforces reliability standards, including critical infrastructure protection operating and planning standards, for the bulk power system. Compliance with these standards is mandatory. The maximum penalty that may be levied for violating a NERC reliability standard is $1 million per violation, per day. The Authority has self-reported some violations of NERC reliability or critical infrastructure protections standards and paid the necessary fines. The Authority has formal programs, processes, and policies in place to promote compliance with these standards, including a NERC Compliance and Coordination Unit. However, it is not possible to predict whether the Authority will have future violations or what the fines for such violations might be.

Nuclear Matters

Summer Nuclear Unit 1 is subject to regulation by the NRC. SCE&G and the Authority were required to obtain liability insurance and a United States Government indemnity agreement for Summer Nuclear Unit 1 in order for the NRC operating license to be issued. This primary insurance and the retrospective assessment are to insure against the maximum liability under the federal Price-Anderson Act for any public claims arising from a nuclear incident. The Energy Policy Act of 2005 extends the Price-Anderson Act until 2025.

The NRC requires that a licensee of a nuclear reactor provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust to comply with the new regulations. The Authority began making deposits into the external decommissioning fund in September 1990.

In addition to providing for the minimum requirements imposed by the NRC, the Authority established in 1983 an internal decommissioning fund. Based on the most recent decommissioning cost estimates developed by SCE&G, both the internal and external funds, which had a combined market value of approximately $210 million at December 31, 2015, along with future deposits into the external trust and internal fund, investment earnings, and projected DOE reimbursement of spent fuel storage costs, are estimated to provide sufficient funds for the Authority's one-third share of the total estimated decommissioning cost.

NRC Interim Staff Guidance. In March 2011, a major earthquake and tsunami struck Japan and caused substantial damage to the nuclear generating units at the Fukushima Daiichi generating plant. The events in Japan have created uncertainties that may affect future costs for operating nuclear plants. Specifically, the NRC is performing additional operational and safety reviews of nuclear facilities in the U.S., which could potentially impact future operations and capital requirements. On March 12, 2012, the NRC issued three orders and a request for information based on the July 2011 NRC task force report recommendations that included, among other items, additional mitigation strategies for beyond-design-basis events, enhanced spent fuel pool instrumentation capabilities, hardened vents for certain classes of containment structures, site specific evaluations for seismic and flooding hazards, and various plant evaluations to ensure adequate coping capabilities during station blackout and other conditions. On August 29, 2012, the NRC staff issued the final interim staff guidance document, which offers acceptable approaches to meeting the requirements of the NRC's orders before the December 31, 2016 compliance deadline. The interim staff guidance is not mandatory, but licensees would be required to obtain NRC approval for taking an approach other than as outlined in the interim staff guidance. The final form and the resulting impact of any changes to safety requirements for nuclear reactors will be dependent on further review and action by the NRC and cannot be determined at this time; however, management does not currently anticipate that the associated compliance costs would have a material impact on the Authority's financial statements.

Legislation Matters

The Authority has been scheduled for review of its statutory compliance and strategic direction by a Joint Senate and House Oversight Committee pursuant to the South Carolina Restructuring Act of 2014, which requires the conduct of oversight studies of all state agencies at least every seven years. The Joint Oversight Committee held its initial meeting on January 5, 2016. The Authority's President and CEO Lonnie Carter gave an operational overview and responded to questions from committee members. The Joint Oversight Committee held two additional information gathering meetings in March 2016. The Authority will continue to assist the committee throughout the oversight process.

On January 12, 2016, a joint resolution (H.4541) was introduced in the South Carolina House of Representatives proposing a process for selling all or some non-controlling percentage ownership interest in the Authority. Similar bills have been filed in the past. No action was taken on this bill during the two year legislative session which ended on June 15, 2016.

In April 2016, legislation was introduced in the South Carolina House and Senate (H.5226 and S.1211, respectively) proposing a special service agreement for the Authority's industrial customers who use electrolytic processing. The committees of jurisdiction in each body held meetings to receive testimony on the legislation; however, the assigned subcommittees did not vote to advance the legislation. With June 2, 2016 being the statutory end of the current two year regular legislative session, the General Assembly has adjourned the regular session and all bills that did not pass during the regular session must be introduced again when the General Assembly returns in January 2017. No action was taken on this bill during the two year legislative session which ended on June 15, 2016.

LITIGATION

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. However, even if determined adversely to the Authority, no such actions, suits, or governmental proceedings would have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

Horry Electric Cooperative, Inc. ("Horry Co-op") Suit. In May 2013, Horry Co-op, a member of Central, sued the Authority seeking indemnification for claims in a class action lawsuit brought against Horry Co-op by certain of its customers. The customers allege mold damage to their homes was caused by vapor barriers installed in accordance with the Authority's energy efficiency recommendations. Horry Co-op's complaint alleges the Authority knew the vapor barrier could cause moisture problems but failed to disclose the information to Horry Co-op and failed to advise Horry Co-op that the vapor barrier should be a recommendation rather than a requirement. A settlement has been reached in the underlying class action lawsuit against Horry Co-op. The settlement provides for the establishment of two funds, totaling $6 million dollars, to pay the claims of the class members. The Authority has been informed that as of the deadline for filing claims, approximately $1.4 million in claims and attorneys fees were paid. The Authority filed a motion to dismiss the claims brought against it by Horry Co-op. On June 11, 2014, the Court dismissed the suit, ruling that the majority of the claims were dismissed with prejudice and that the claim for equitable indemnification was dismissed without prejudice. Horry Co-op has appealed the dismissal of the suit. The Authority cannot predict the outcome of the appeal. On October 20, 2014 the Authority was served with an additional complaint filed by Horry Co-Op in Horry County. The complaint alleges a single cause of action for indemnity arising out of the same underlying factual allegations as the original complaint filed in May of 2013. The Authority filed a motion to dismiss the complaint which was denied on May 17, 2016. The Authority filed an Answer to the Complaint on June 1, 2016. The Authority cannot predict the outcome of this lawsuit.

Purported Class Action. The Authority has received an unfiled complaint which asserts a purported class action on behalf of the Authority's retail customers. The complaint contains a number of causes of action and allegations related to the Authority's decisions to construct and then to cancel construction of a coal-fired generation project in Florence County, SC. The Authority is evaluating the claims.

UNDERWRITING

Pursuant to the provisions of a Forward Delivery Bond Purchase Agreement, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. LLC, J. P. Morgan Securities LLC, US Bancorp and Wells Fargo Bank, National Association (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the 2016C Bonds from the Authority at an Underwriters' discount of $210,246.32. The Underwriters will be obligated to purchase all of the 2016C Bonds if any are purchased. The public offering prices may be changed, from time to time, by the Underwriters.

The 2016C Bonds may be offered and sold to certain dealers (including Underwriters and other dealers depositing the 2016C Bonds into investment trusts) at prices lower than such public offering prices.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates currently provide, and may provide in the future, various financial services, including entering into revolving credit agreements relating to commercial paper notes, for the Authority, for which they received or will receive customary fees and expenses. See "INTRODUCTION – Indebtedness of the Authority - *Commercial Paper Notes*."

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments of the Authority.

Morgan Stanley. Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, an underwriter of the 2016C Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2016C Bonds.

J.P. Morgan Securities LLC ("JPMS"). JPMS, one of the Underwriters of the 2016C Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), CS&Co. and LPL will purchase 2016C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016C Bonds that such firm sells.

US Bancorp. US Bancorp is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters of the 2016C Bonds.

Wells Fargo Securities. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2016C Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016C Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2016C Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc., as Financial Advisor in connection with the issuance of the 2016C Bonds.

TAX MATTERS

The 2016C Bonds

Federal Income Tax Generally. On the date of issuance of the 2016C Bonds, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina ("Bond Counsel"), expects to render its opinion that, assuming continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the 2016C Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the 2016C Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however, interest on the 2016C Bonds will be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the 2016C Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the 2016C Bonds and the tax-exempt status of interest on the 2016C Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2016C Bonds for federal income tax purposes. Bond Counsel's opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the Authority comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure and investment of the proceeds of the 2016C Bonds and the obligation to rebate certain earnings on investments of proceeds to the United States Government, that must be satisfied subsequent to the issuance of the 2016C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2016C Bonds in gross income for federal income tax purposes retroactive to their date of issuance. The opinion of Bond Counsel delivered on the date of issuance of the 2016C Bonds will be conditioned on compliance by the Authority with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such 2016C Bonds.

Collateral Federal Tax Considerations. Prospective purchasers of 2016C Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The 2016C Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of 2016C Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2016C Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2016C Bonds. No prediction can be made concerning future legislation which if passed might adversely affect the tax treatment of interest on the 2016C Bonds. Prospective purchasers of 2016C Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2016C Bonds. Bond Counsel's engagement with respect to the 2016C Bonds ends with their issuance, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the owners of the 2016C Bonds regarding the tax-exempt status thereof in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the owners of 2016C Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2016C Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2016C Bonds, and may cause the Authority or the owners of the 2016C Bonds to incur significant expense, regardless of the ultimate outcome.

Original Issue Discount. The 2016C Bonds maturing December 1, 2036 (the "Discount Bonds") have been sold at an initial public offering price which is less than the amount payable at maturity. The difference between the initial public offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and, to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as stated interest on the 2016C Bonds.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. Consequently, an owner of any Discount Bond that is a corporation should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who may acquire 2016C Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such 2016C Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.

Original Issue Premium. The 2016C Bonds maturing in the years 2022 through 2035 (the "Premium Bonds") have been sold at initial public offering prices which are greater than the amount payable at maturity. An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption price at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over the term of such Premium Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2016C Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2016C Bonds.

State Tax Exemption

Bond Counsel is of the further opinion that the 2016C Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the 2016C Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the 2016C Bonds or the interest thereon under the laws of any other jurisdiction.

APPROVAL OF LEGAL PROCEEDINGS

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel to the Authority, expects to render an opinion with respect to the validity and tax treatment of the 2016C Bonds. Such opinion will be attached to the 2016C Bonds and will be in substantially the form set forth in Appendix IV. Certain legal matters will be passed upon on behalf of the Authority by J. Michael Baxley, Sr., its Senior Vice President and General Counsel.

CONTINUING DISCLOSURE

Except as described in this paragraph, the Authority represents that it has not failed to comply, in any material respect, with any previous undertaking in a written contract or agreement entered into under Rule 15c2-12 of the Securities and Exchange Commission ("the Rule"). In March 2014, the Authority inadvertently failed to timely file a notice of upgrade by Standard & Poor's of the ratings of Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.) ("AGM") from "AA-" to "AA". Such notice was filed on May 29, 2014. In 2014, the Authority inadvertently failed to file the notice of call for the 2013 Taxable Series D (LIBOR Index Bonds). These bonds were called December 1, 2014. Such notice was filed on March 24, 2015.

Pursuant to a Continuing Disclosure Agreement dated August 3, 2016 ^ (the "Continuing Disclosure Agreement"), the Authority has covenanted for the benefit of the Holders and the "Beneficial Owners" (as hereinafter defined) of the 2016C Bonds to provide certain financial information and operating data relating to the System by not later than six months (presently, by each June 30) after the end of each of the Authority's fiscal years, commencing with the report for the fiscal year ending December 31, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2016C Bonds. The Annual Report will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") and with the State Information Depository, if any, established by the State. The notices of such enumerated events will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board and with such State Information Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement, which is included in its entirety in Appendix III. These covenants have been made in order to assist the Underwriters in complying with the Rule.

As provided in the Continuing Disclosure Agreement, failure by the Authority to comply with any provision of the Continuing Disclosure Agreement does not constitute an event of default under the Revenue Obligation Resolution; however, any Holder or "Beneficial Owner" of the 2016C Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement. "Beneficial Owner" is defined in the Continuing Disclosure Agreement to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016C Bonds (including persons holding 2016C Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016C Bonds for federal income tax purposes. If any person seeks to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a "Beneficial Owner" within the meaning of the Continuing Disclosure Agreement.

MISCELLANEOUS

The agreements of the Authority with the owners of the 2016C Bonds are fully set forth in the Revenue Obligation Resolution. This Official Statement is not to be construed as a contract with the purchasers of the 2016C Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Board of Directors of the Authority.

South Carolina Public Service Authority

/s/Lonnie N. Carter
President and Chief Executive Officer

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AUDIT COMMITTEE CHAIRWOMAN'S LETTER

The Audit Committee of the Board of Directors is comprised of independent directors Peggy H. Pinnell – Chairwoman, William A. Finn, Merrell W. Floyd, Dan J. Ray, Alfred L. Reid Jr. and Jack F. Wolfe Jr.

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

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

Periodic financialstatements and reports pertaining to operations and representations were received from management and the internal auditors. In fulfillingits re sponsibilities, the committee also reviewed the overall scope and specificplans for the respective audits by the internal auditors and the independent public accountants. The committee discussed the company's financialstatements 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 financialreporting.

Peggy H. Pinnell
Chairwoman
2015 Audit Committee

Notes:
Director Catherine E. Heigel resigned her at-large seat on June 4, 2015. Director Alfred L. Reid Jr. was appointed to the board on June 4, 2015, and rotated onto the committee at that time.

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The primary changes in the Authority's combined financial condition as of December 31, 2014 and 2013 were as follows:

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased $500.6 million during 2014 due to increases of $542.7 million in capital assets, $29.2 million in current assets and $64.4 million in deferred outflows of resources. Offsetting these increases were reductions in other noncurrent assets of $135.7 million.

The increase in capital assets was due to net construction work in progress and utility plant increases of $612.2 million and $156.4 million, respectively. These increases resulted from construction costs associated with Summer Nuclear Units 2 and 3 as well as construction projects at several generating facilities and on the transmission system. Offsetting these increases were retirements of $43.6 million. Further reductions were caused by accumulated depreciation increasing $182.1 million and a small reduction in other physical property.

The increase in current assets was due primarily to net additions of $180.1 million in restricted cash, cash equivalents and investments resulting from the 2014 bond activity impact, construction payments and debt service payments. Fossil fuel inventory decreased $113.4 million due to increased fossil generation and delays in coal transportation. Nuclear fuel inventory decreased $12.6 million due to amortization expense for fuel burned at Summer Nuclear Unit 1. The remaining $24.9 million was a decrease resulting from the net change in unrestricted cash, cash equivalents, investments, receivables, materials inventory, interest receivable and prepaid expenses and other current assets.

The decrease in other noncurrent assets was due to a reduction in other noncurrent and regulatory assets resulting from the receipt of $231.9 million from the Santee River Flooding case settlement. Further reductions resulted from a change in deferred interest receivable of $13.5 million related to the sale of five percent of Summer Nuclear Units 2 and 3. Offsetting these reductions was $7.9 million in net additions related to the transfer of Pee Dee costs as well as $8.4 million more in billable projects. The asset retirement obligation increased $56.5 million due to accretion and depreciation on nuclear and ash pond assets. Restricted cash, cash equivalents and investments rose $12.4 million resulting from investment income and market value adjustments. Further increases were provided by higher costs to be recovered from future revenues (CTBR) of $19.8 million from the 2014 bond activity and lower depreciation rates. The remaining variance was due to changes in the other accounts in this category.

The increase in deferred outflows of resources was due to a larger accumulated decrease in fair value of hedging derivatives and higher unamortized loss on refunded and defeased debt of $50.6 million and $13.8 million, respectively. The higher reduction in accumulated decrease in fair value of hedging derivatives was due to increased mark-to-market losses driven by lower natural gas prices during 2014. The larger unamortized loss on refunded and defeased debt was due to amortization, additions and removals from current year bond activity.

Liabilities, Deferred Inflows of Resources & Net Position

Liabilities & deferred inflows of resources increased $372.3 million due to increases of $182.8 million in long-term debt-net, $139.3 million in current liabilities, $35.7 million in other noncurrent liabilities and $14.5 million in deferred inflows of resources.

Long-term debt-net increased $182.8 million due to net additions of $85.6 million in total long-term debt and $97.2 million in unamortized debt discounts and premiums. The increase in long-term debt was due to additions of $1,420.9 million from the 2014 bond activity. Offsetting this was a decrease of $556.1 million for transfers to current portion of long-term debt and $779.2 million due to defeasance or refunding activity. Unamortized debt discounts and premiums increased due to net additions of $144.1 million from the 2014 bond activity. Offsetting this were decreases of $22.0 million for amortization of discounts and premiums and $24.9 million for removals from refunding bond activity.

The increase in current liabilities was due to $38.1 million for commercial paper, $36.8 million for natural gas hedging losses, additional manual accruals for Summer Nuclear Units 2 and 3 construction, Summer Nuclear Unit 1 fuel and other generating station outages of $42.1 million as well as a $26.5 million higher Central COS adjustment between the periods. Additional changes were caused by increases in the current portion of long-term debt of $16.0 million and a reduction in accrued interest on long-term debt of $21.1 million. Other smaller changes resulted in the residual variance.

Other noncurrent liabilities increased due to changes in the asset retirement obligation liability of $19.4 million due to accretion on nuclear and ash pond liabilities, as well as net noncurrent hedging losses of $11.7 million. Increases were also noted in Summer Nuclear pension and other post-employment benefits (OPEB) liabilities of $3.6 million, construction liabilities of $2.8 million, as well as deferred emission credit sales of $2.5 million. These increases were offset by a decrease in the noncurrent liability of $6.2 million for a maintenance agreement for the Rainey Generating Station. Net increases among the remaining accounts make up the residual variance.

Deferred inflows of resources increased due to higher nuclear decommissioning costs of $21.5 million resulting from market value adjustments, amortization and interest accruals for decommissioning funds. Offsetting this increase was $7.0 million reduction in accumulated increase in fair value of hedging derivatives caused by differing market conditions between the periods.

The main drivers for the overall increase in net position were higher net invested in capital assets and unrestricted of $61.9 million and $44.2 million, respectively. The increase in net invested in capital assets was due to higher construction work in progress, utility plant and the asset retirement obligation. Offsetting this increase was higher long-term debt and accumulated depreciation. Restricted for debt service also increased $15.8 million due to changes in accrued interest on long-term debt and reductions in the bond and debt service funds. An addition of non-borrowed funds for the Lake Moultrie Water Agency capacity upgrade of $6.5 million caused an increase in restricted for capital projects.

RESULTS OF OPERATIONS

Santee Cooper's Combined Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015, 2014 and 2013 are summarized as follows:

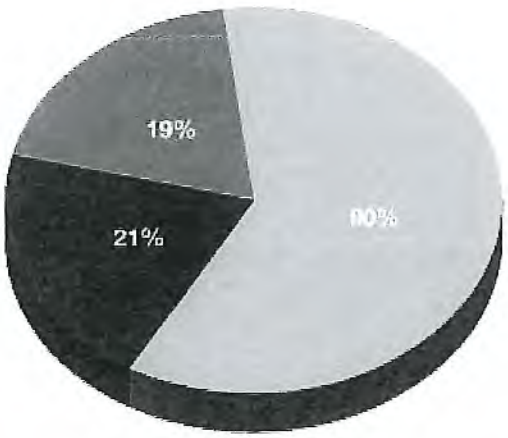
	2015	2014	2013
		(Thousands)	
Operating revenues	$ 1,879,553	$ 1,997,347	$ 1,816,576
Operating expenses	1,502,488	1,619,224	1,524,182
Operating income	377,065	378,123	292,394
Interest expense	(279,103)	(274,993)	(220,778)
Costs to be recovered from future revenue	(6,435)	19,798	7,396
Other income	(37,012)	26,067	6,926
Capital contributions & transfers	(20,116)	(20,659)	(20,394)
Change in net position	$ 34,399	$ 128,336	$ 65,544
Net position - beginning of period as previously reported	2,168,463	2,040,127	1,974,583
Restatement (Note 15)	(261,072)	0	0
Net position - beginning of period as restated	1,907,391	2,040,127	1,974,583
Ending net position	$ 1,941,790	$ 2,168,463	$ 2,040,127

2015 Compared to 2014

OPERATING REVENUES

As compared to 2014, operating revenues decreased $117.8 million (6%). The driver for this decrease was lower kWh sales (3%) and demand usage (2%). Partially offsetting this decrease was higher O&M rate revenues, energy related fixed cost rates and impacts between the 2014 and 2015 Central COS adjustments. Energy sales for 2015 totaled approximately 26.5 million megawatt hours (MWhs) as compared to approximately 27.4 million MWhs for 2014.

2015 Revenues from Sales of Electricity*
by Customer Class

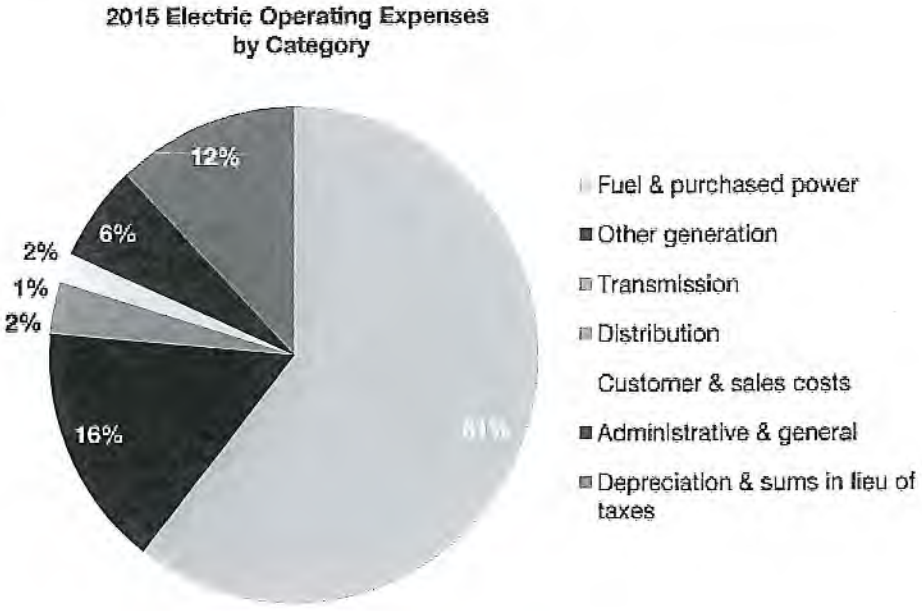


	2015	2014	2013
Revenues from Sales of Electricity*		(Thousands)	
Retail	$ 381,049	$ 394,195	$ 355,598
Industrial	354,148	399,817	381,689
Sales for resale	1,121,326	1,181,350	1,058,943
Totals	$ 1,856,523	$ 1,975,362	$ 1,796,230

*Excludes interdepartmental sales of $478 for 2015, $488 for 2014 and $442 for 2013.

OPERATING EXPENSES

Combined operating expenses for 2015 decreased $116.7 million (7%) as compared to 2014. The main driver was fuel and purchased power expense which decreased by $151.0 million due to lower kWh sales, higher commodity prices in the prior year and a shift in generation mix. Partially offsetting these decreases were higher non-fuel generation ($27.6 million) from labor, contract services, materials and Summer Nuclear Unit 1 expenses as well as transmission ($2.4 million) from a self-insurance claim, labor, benefits, contract services and lower New Horizon Electric Cooperative reimbursements. Other smaller variances ($4.3 million) netted an increase and were spread among the remaining cost categories.



	2015	2014	2013
Electric Operating Expenses		(Thousands)	
Fuel & purchased power	$ 906,954	$ 1,057,907	$ 958,566
Other generation	237,680	210,083	195,788
Transmission	35,425	32,998	32,211
Distribution	15,340	14,503	14,439
Customer & sales costs	28,792	27,994	21,672
Administrative & general	93,171	92,967	95,839
Depreciation & sums in lieu of taxes	180,167	178,037	201,143
Totals	$ 1,497,529	$ 1,614,489	$ 1,519,658

NET BELOW THE LINE ITEMS

- Other income decreased by $63.1 million due to the current year amortization of the remaining balance of assets from a cancelled coal-fired generation project in Florence County, S.C., reclassification of the Duke Energy good faith deposit in the prior year and higher interest income in the prior year from the Santee River case settlement.

- Interest expense for 2015 was $4.1 million higher as a result of the 2015 bond activity.

- CTBR changed $26.2 million due to implementation of a new methodology, effective January 1, 2015.

- Capital contributions and transfers represent dollars paid to the state of South Carolina. This payment decreased by $0.5 million and it was based on a percentage of total budgeted revenues which was lower in the 2015 budget compared to the 2014 budget.

2014 Compared to 2013

OPERATING REVENUES

As compared to 2013, operating revenues increased $180.8 million (10%). The driver for this increase was higher kWh sales (4%) and demand usage (5%). Partially offsetting this increase was lower demand and O&M rate revenues. Energy sales for 2014 totaled approximately 27.4 MWhs compared to approximately 26.4 million MWhs for 2013 with increases in all categories except industrial.

OPERATING EXPENSES

Combined operating expenses for 2014 increased $95.0 million (6%) as compared to 2013. Fuel and purchased power increased by $99.3 million due to higher kWh sales associated with weather impacts, along with a shift in the economic dispatch due to station outages and higher prices in the energy markets. Non-fuel generation was higher by $14.3 million from expenses related to contract services, materials and Summer Nuclear Unit 1 expenses, as well as customer and sales promotion being up by $6.3 million as a result of the accrual of economic development grants. Offsetting these increases was a decrease in administrative and general of $2.9 million resulting from contract services and insurance expense. Depreciation expense also decreased by $23.1 million from catch-up depreciation recorded in 2013 and the impact of the new depreciation rates implemented in 2014. The remaining variance was attributable to the net of the remaining categories being higher than prior year.

NET BELOW THE LINE ITEMS

- Other income increased by $19.1 million over 2013 from interest received on the Santee River Flooding case settlement.

- Interest expense for 2014 was $54.2 million higher than 2013 resulting from the 2013 and 2014 bond activity impacts.

- CTBR changed $12.4 million due to a combination of bond activity and lower depreciation rates.

- The $265,000 increase in capital contributions & transfers represents dollars paid to the State. This payment is based on a percentage of total budgeted revenues which was higher in the 2014 budget compared to the 2013 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 is 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 industrial properties, and/or constructing buildings for industrial uses. Since June 2012, the Authority has invested over $50.0 million throughout South Carolina in product development through low-interest revolving loans to public entities. During 2014, the Authority created two additional funds for the purpose of providing potential industrial sites in Cooperative and municipal territories, directly or indirectly served by Santee Cooper. Approvals through 2015 total more than $4.0 million from the municipal site readiness fund and over $9.0 million from the South Carolina Power Team Site Readiness Fund. The Authority continues to offer an economic development rate, the Experimental Large Light and Power Economic Development Service Tiered Rider, in addition to its existing economic development rider. Both rates are targeted at attracting new and expanding industrial loads and are available to the Authority's direct served industrial loads and are to be passed through to the Authority's wholesale customers located in South Carolina.

The Authority's largest customer is Central and accounted for 57.6 percent of sales revenues. Central provides wholesale electric service to each of the 20 distribution cooperatives (Central 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, provides for Central to transition a portion of the power and energy requirements of the five former Saluda members (Upstate Load) directly connected to the transmission system of Duke Energy Carolinas, LLC (Duke Energy) to another supplier and in January 2013, Central began transitioning the Upstate Load to Duke Energy. The September 2009 Agreement provides for approximately 15 percent of the Upstate Load to transition to Duke Energy annually between 2013 - 2018, with the remaining 10 percent of the Upstate Load transitioning to Duke Energy in 2019. By the end of the transition in 2019 the Upstate Load transferred will amount to approximately 900 MW. Nothing would preclude the Authority from serving this load when the Duke Energy agreement ends on December 31, 2030.

The Authority and Central continue to work cooperatively to better align their future interests and formalize how they will jointly plan for new resources. As part of this, Central agreed to extend their rights to terminate the agreement in the September 2009 Agreement until December 31, 2058. Under the Central 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 Central Agreement. This amendment also provides more stability and certainty to the credit agencies as they rate the Authority's bonds going forward.

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 2015, 2014 and 2013 was as follows:

	2015 Budget 2016-18	2014 Budget 2015-17	2013 Budget 2014-16
Capital Improvement Expenditures		(Thousands)	
Environmental compliance	$ 318,972	$ 154,939	$ 179,394
General improvements to the system	698,773	566,761	535,832
Summer Nuclear Units 2 and 3	1,693,252	1,677,228	1,737,609
Totals	$ 2,710,997	$ 2,398,928	$ 2,452,835

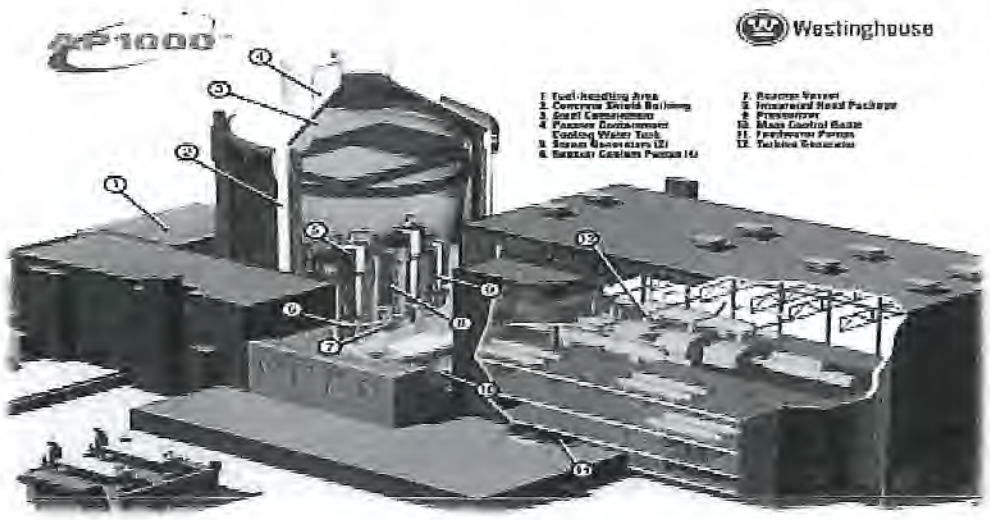
As determined by the Authority, the cost of the capital improvement program will be provided from revenues, additional revenue obligations, commercial paper and other short-term obligations.

Technology - Summer Nuclear Units 2 and 3 will consist of two Westinghouse AP1000 nuclear reactors, four low profile sixteen-cell mechanical draft cooling towers, intake and discharge structures, a 230 kV switchyard for transmission access, and numerous ancillary structures supporting the power generation process.

On January 27, 2006, the NRC approved the AP1000 standard plant design and issued its original AP1000 Design Certification Rule (DCR) which incorporated Revision 15 of the AP1000 Design Control Document (DCD).

On December 30, 2011, the NRC amended its regulations to certify an amendment to the AP1000 standard plant design incorporated in DCD Revisions 16 through 19. The amendment replaces the combined license information items and design acceptance criteria (DAC) with specific design information, addresses the effects of the impact of a large commercial aircraft, incorporates design improvements, and increases standardization of the design.

The AP1000 is the first and only reactor in its class of technological development, referred to as "Generation III+", to receive certification from the NRC.



The AP1000 is a pressurized water reactor with passive safety systems which, according to Westinghouse, in case of design basis accidents are designed to achieve a safe shutdown without operator action, AC power, or pumps.

Licensing - In March 2008, the Authority and SCE&G submitted to the NRC an application for Combined Construction and Operating Licenses (COLs) for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC concluded its mandatory hearing process for the application and found the NRC staff's review adequate to make the necessary regulatory safety and environmental findings, clearing the way for the formal issuance of the COLs. The COLs were issued by the NRC and received by SCE&G and the Authority on March 30, 2012.

The NRC's findings concluding the mandatory hearing process imposed two conditions on the COLs, with the first requiring inspection and testing of squib valves, important components of the reactor's passive cooling system. The second requires the development of strategies to respond to extreme natural events resulting in the loss of power at the new reactors. The NRC also directed the Office of New Reactors to issue to SCE&G and the Authority, simultaneously with the COLs, an Order requiring enhanced, reliable spent fuel pool instrumentation, as well as a request for information related to emergency plant staffing.

Engineering, Procurement, and Construction Agreement - On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an Engineering, Procurement, and Construction (EPC) Agreement, with a Consortium consisting of Westinghouse Electric Company, LLC ("Westinghouse") and Stone & Webster, Inc. Pursuant to the EPC Agreement, the Consortium will supply, construct, test, and start up two 1,117 MW nuclear generating units utilizing Westinghouse's AP1000 standard plant design. Under the EPC Agreement, the Authority will pay, in proportion to its ownership interest, a contract price that is subject to certain fixed price escalations and adjustments, adjustments for change orders and performance bonuses, and adjustments for cost overruns. A majority of the EPC Agreement costs are fixed or firm. In addition to EPC Agreement costs, the Authority will pay, in proportion to its ownership interest, costs associated with ancillary project facilities, staffing, project management and oversight by SCE&G and the Authority. The Authority estimates the current total construction cost associated with a 45 percent ownership interest to be approximately $5.1 billion including related transmission and initial nuclear fuel cores.

The EPC Agreement provides the Authority and SCE&G are jointly and severally liable for obligations under the EPC Agreement, to the extent such joint and several liability does not conflict with State law applicable to the Authority. Current State law provides the Authority shall be severally liable, in proportion to its joint ownership interest, for the acts, omissions, obligations performed, omitted, or incurred by SCE&G acting as agent for the Authority in constructing, operating or maintaining the Summer Units, but is not otherwise liable, jointly or severally for SCE&G's acts or omissions.

The EPC Agreement provides for certain liquidated damages upon the Consortium's failure to comply with schedule and performance guarantees, as well as certain bonuses payable to the Consortium for unit performance. The Consortium's liability for liquidated damages and for warranty claims is subject to a cap. The payment obligations of Westinghouse are guaranteed by Toshiba Corporation, and the payment obligations of Stone & Webster are guaranteed by Chicago Bridge & Iron Company. The Authority and SCE&G may, at any time, terminate the EPC Agreement for their convenience and without cause, provided that the Authority and SCE&G will pay certain termination costs and, at certain stages of the work, termination fees to the Consortium. The Consortium may terminate the EPC Agreement under certain circumstances, including (i) either SCE&G or the Authority's failure to make payment to Consortium in accordance with the EPC Agreement requirements, (ii) either SCE&G or the Authority's breach of a material provision of the EPC Agreement, or (iii) either SCE&G or the Authority's insolvency unless the other of SCE&G or the Authority has provided security for payments that would be due from such insolvent entity.

Ownership Agreements - On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement specifying an Authority ownership interest of 45 percent in each of Summer Nuclear Unit 2 and Summer Nuclear Unit 3. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the units to a third party.

Recent Developments - In January 2014, the Authority entered into an agreement whereby SCE&G will purchase from the Authority an additional five percent interest in the project. Under the terms of the agreement, SCE&G will own 60 percent of the new nuclear units and the Authority, 40 percent. The five percent ownership interest will be acquired in three stages, with one percent to be acquired at the commercial operation date of the first new nuclear unit, an additional two percent to be acquired no later than the first anniversary of such commercial operation date and the final two percent to be acquired no later than the second anniversary of such commercial operation date. The purchase price will be equal to the Authority's actual cost, including financing costs, of the percentage conveyed as of the date of the conveyance. The total purchase price is estimated to be between $500.0 and $600.0 million. The agreement will not impact the payment obligation for the full 45 percent ownership during construction. Under the terms of agreement with SCE&G the Authority cannot enter into an agreement to sell an additional portion of its 40 percent ownership interest until both units have been completed. However, the Authority is free to explore power sale opportunities from the facility. In December 2015, the Authority and SCE&G executed the Purchase and Sale Agreement for SCE&G's purchase from the Authority of an additional five percent interest in the project as described above.

Construction - Phase I - Phase I of the work consisted of the Consortium's engineering support and other services required by SCE&G and the Authority to support licensing efforts for Summer Nuclear Units 2 and 3 (including receipt of approvals from the PSC), continuation for design work, project management, engineering and administrative support to procure long lead time equipment, construction mobilization, site preparation, site infrastructure development, and installation of construction facilities. Phase I commenced May 23, 2008, with execution of the EPC Agreement, and was completed April 17, 2012 with SCE&G and the Authority's issuance of Full Notice to Proceed following receipt of the COLs.

Construction - Phase II - Phase II of the work consists of the remainder of the work required to supply, construct, test, and start up two AP1000 nuclear power plant units as is consistent with the AP1000 certified design. Phase II work is progressing and several key construction milestones have been achieved for Summer Nuclear Units 2 and 3.

Unit(s)	Construction Milestone	Date
Units 2 & 3	Energized Switchyard	February 1, 2013
Unit 2	Placed Nuclear Island Basemat (First Nuclear Concrete)	March 11, 2013
Unit 2	Set Module CR10 (Containment Vessel Bottom Head Support)	April 3, 2013
Unit 2	Set Containment Vessel Bottom Head	May 22, 2013
Unit 2	Set Structural Module CA04 (Reactor Vessel Cavity)	September 27, 2013
Unit 3	Placed Nuclear Island Basemat (First Nuclear Concrete)	November 4, 2013
Unit 2	Set Structural Module CA20 (Auxiliary Building Module)	May 9, 2014
Unit 3	Set Containment Vessel Bottom Head	May 21, 2014
Unit 2	Set Containment Vessel Ring 1	June 2, 2014
Unit 2	Set Structural Module CA05	December 6, 2014
Unit 3	Set Structural Module CA04 (Reactor Vessel Cavity)	June 29, 2015
Unit 2	Set Structural Module CA01 (Steam Generator and Refueling Canal)	July 23, 2015

Schedule - During the course of activities under the EPC Agreement, issues have materialized that have impacted project budget and schedule. The parties to the EPC Agreement have established both informal and formal dispute resolution procedures to resolve issues that arise during the course of constructing a project of this magnitude.

Claims specifically relating to COL delays, design modifications of the shield building and certain prefabricated structural modules and unanticipated rock conditions at the site resulted in assertions of contractual entitlement to recover additional costs to be incurred. On July 11, 2012, SCE&G, on behalf of itself and as agent for the Authority, agreed to a settlement with the Consortium which set the Authority's portion of the costs for these specific claims at approximately $113.0 million (in 2007 dollars). As a result of this settlement, the substantial completion dates for Summer Nuclear Units 2 and 3 changed from April 2016 and January 2019 (respectively) to March 2017 and May 2018.

Subsequent to July 2012, the Consortium has experienced delays in the schedule for fabrication and delivery of sub-modules for the new units. After examination of this issue and consultation with the Consortium, in June 2013, SCE&G announced that the substantial completion of Summer Nuclear Unit 2 was expected to be delayed from March 2017 to late 2017 or the first quarter of 2018 and the substantial completion for Summer Nuclear Unit 3 was expected to be similarly delayed. The dates have not been accepted as revised contractual substantial completion dates.

Since August 2013, the Consortium has experienced additional delays in sub-module fabrication and deliveries. The fabrication and delivery of sub-modules for Summer Nuclear Unit 2 are a focus area of the Consortium, including sub-modules for module CA20, which is part of the auxiliary building, and CA01, which houses components inside the containment vessel. Modules CA20 and CA01 are considered critical path items for both new units. All sub-modules for CA20 have been received on site, assembly completed, and the module placed on the nuclear island in May 2014. The delivery schedule of the sub-modules for CA01 is expected to support completion of on-site fabrication to allow it to be placed on the nuclear island during the first half of 2015.

During the fourth quarter of 2013, the Consortium began a full re-baselining of the Unit 2 and Unit 3 construction schedules to incorporate project delays associated with incomplete engineering and late submodule fabrication and deliveries. The result will be a revised fully integrated project schedule.

In early August 2014, SCE&G and the Authority received preliminary schedule information in which the Consortium indicated the substantial completion of Unit 2 is expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 may be approximately 12 months later.

Since receiving the August 2014 preliminary schedule information, SCE&G and the Authority received a preliminary cost estimate associated with the schedule delays. The estimate to achieve a late 2018 substantial completion date totaled $1.176 billion for non-firm and non-fixed scopes of work. In addition to delay-related costs, this figure included project scope modifications currently under review by the Owners. This figure was presented as a total project cost in 2007 dollars subject to escalation and does not reflect consideration of the delay liquidated damages provisions of the EPC agreement which would partly mitigate any such delay-related costs.

SCE&G and the Authority have worked with Consortium executive management to evaluate this information. Based upon this evaluation, the Consortium has indicated that the Unit 2 substantial completion date is expected to occur by June 2019 and that the substantial completion date of Unit 3 may be approximately 12 months later. SCE&G and the Authority are continuing discussions with Consortium executive management in order to identify potential mitigation strategies to accelerate the substantial completion dates of the units and are working to arrive at an acceptable revised schedule and cost estimate.

On October 27, 2015, the EPC Agreement was amended ("October 2015 Amendment"). The October 2015 Amendment became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster from CB&I. Stone & Webster will continue to be a member of the Consortium as a subsidiary of Westinghouse instead of CB&I. Westinghouse has engaged Fluor Corporation as a subcontracted construction manager.

Among other things, the October 2015 Amendment (i) resolves by settlement and release substantially all outstanding disputes between SCE&G and the Authority (collectively "Owner") and the Consortium, in exchange for (a) an additional cost of $300.0 million (Authority's 45 percent portion being $135.0 million) paid by the Owner and an increase in the fixed component of the contract price by that amount, and (b) a credit to Owner of $50.0 million (Authority's 45 percent portion being approximately $23.0 million) applied to the target component of the contract price, (ii) revises the guaranteed substantial completion dates of Units 2 and 3 to August 31, 2019 and 2020, respectively, (iii) revises the delay-related liquidated damages computation requirements, including those related to the eligibility of the Units to earn Internal Revenue Code Section 45J production tax credits, and caps those aggregate liquidated damages at $463.0 million per Unit (Authority's 45 percent portion being approximately $208.0 million per Unit), (iv) provides for payment to the Contractor of a completion bonus of $275.0 million per Unit (Authority's 45 percent portion being approximately $124.0 million per Unit) for each Unit placed in service by the deadline to qualify for production tax credits, (v) provides for the development of a revised construction payment milestone schedule, with the Owner making monthly payments of $100.0 million (Authority's 45 percent portion being $45.0 million) for each of the first five months following effectiveness, followed by payments made based on milestones achieved, and (vi) cancels the CB&I Parent Company Guaranty with respect to the Project. The payment obligations under the EPC Agreement are joint and several obligations of Westinghouse and Stone & Webster, and the October 2015 Amendment provides for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations.

In addition to the above, this October 2015 Amendment provides for an explicit definition of a Change in Law designed to reduce the likelihood of certain commercial disputes. As part of this, the Consortium also acknowledges and agrees that the Project scope includes providing the Owner with Units that meet the standards of the NRC approved Design Control Document Revision 19. The October 2015 Amendment also provides for establishment of a dispute resolution board process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction payment milestone schedule referred to above. The EPC Agreement is also revised to eliminate the requirement or ability to bring suit before substantial completion of the Project.

Finally, this October 2015 Amendment provides the Owner an irrevocable option, until November 1, 2016 and subject to regulatory approvals, 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 percent portion being approximately $2.737 billion). This total amount to be paid would be subject to adjustment for amounts paid since June 30, 2015. Were this option to be exercised, the aggregate delay-related liquidated damages amount referred to in (iii) above would be capped at $338.0 million per Unit (Authority's 45 percent portion being approximately $152.0 million per Unit), and the completion bonus amounts referred to in (iv) above would be $150.0 million per Unit (Authority's 45 percent portion being approximately $68.0 million per Unit).

Summary of Substantial Completion Dates

	Unit 2	Unit 3
Original EPC - May 2008	April 2016	January 2019
EPC - COL Delay - July 2012	March 2017 (+11 months)	May 2018 (-8 months)
Proposed Module Delay - June 2013	December 2017 - March 2018 (+9 to +12 months)	March 2019 (+10 months)
Proposed Re-baselined Schedule - August 2014	December 2018 - June 2019 (+12 to +15 months)	June 2020 (+15 months)
EPC – October 2015 Amendment	August 2019 (+2 to +8 months)	August 2020 (+2 months)

Other Project Developments - In addition to the above-described project issues, the Authority is also aware of financial difficulties that have been experienced by Mangiarotti S.p.A. (Mangiarotti), an Italy based supplier responsible for certain significant components of the project. Since first becoming aware of these financial difficulties, the Consortium has monitored the potential for disruptions in such equipment fabrication and possible responses. In September 2014, Westinghouse completed the acquisition of Mangiarotti, in order to secure this supplier. To date, ten components have been received on-site from Mangiarotti. The remaining two components are in fabrication and expected to be received on-site during the first quarter of 2016.

Nuclear Construction, Risk Factors - The construction of large generating plants such as Summer Nuclear Units 2 and 3 involves significant financial risk. Delays or cost overruns may be incurred as a result of risks such as (a) inconsistent quality of equipment, materials and labor, (b) work stoppages, (c) regulatory matters, (d) unforeseen engineering problems, (e) unanticipated increases in the cost of materials and labor, (f) performance by engineering, procurement, or construction contractors and (g) increases in the cost of debt. Moreover, no nuclear plants have been constructed in the United States using advanced designs such as the Westinghouse AP1000 reactor. Therefore, estimating the cost of construction of any new nuclear plant is inherently uncertain.

To mitigate risk, SCE&G, acting for itself and as agent for the Authority, provides project oversight for Summer Nuclear Units 2 and 3 through its New Nuclear Deployment (NND) business unit. The Authority provides dedicated on-site personnel to monitor and assist NND with the daily oversight of the project. The managerial framework of the NND group is comprised of in-house nuclear industry veterans who lead various internal departments with expertise in: nuclear operations, engineering, construction, maintenance, quality assurance and nuclear regulations. This expertise is dispatched locally to monitor on-site construction as well as domestically (and abroad) to provide surveillance at all major equipment manufacturers. In addition, NND representatives make frequent visits and work closely with the Consortium to monitor progress and issues (engineering, labor, supplier issues, etc.) associated with the AP1000 nuclear power units currently under construction in China, as well as the AP1000 units currently under development at nearby Plant Vogtle in Waynesboro, Georgia.

FINANCING ACTIVITIES

Traditionally, the Authority has amortized its debt taking into consideration the potential termination of the Central Agreement, previously defined, and the expected lives of its capital assets. In light of the May 20, 2013 extension of the earliest possible termination date of the Central Agreement from 2030 to 2058, the Authority is in the process of extending the average life of its debt in order to better align its debt amortization to the expected lives of its capital assets. The Authority expects to achieve this alignment through a combination of selling longer dated debt for a portion of the Authority's capital needs, and restructuring to extend the maturity of a portion of its existing debt. While the size and scope of this restructuring program will evolve over time, the Authority estimates that it has substantially completed the restructuring portion of the program by refinancing and extending approximately $600.0 million of its existing debt.

The Authority currently has a total construction budget associated with a 45 percent ownership interest in the Summer Nuclear Units 2 and 3 to be approximately $5.1 billion which includes costs for transmission, initial fuel core and construction of the units. To date, the Authority has financed approximately $3.7 billion for construction from proceeds of issues sold beginning in 2008. The Authority intends to fund the remaining construction with the proceeds of additional bond sales projected in calendar years 2016 through 2018 and proceeds from the sale of a five percent project ownership interest to SCE&G. While the Authority expects to fund the remaining construction of Summer Nuclear Units 2 and 3 with Revenue Obligations and Commercial Paper Notes, it also has a pending application with the Department of Energy (DOE) for a loan guarantee to fund construction should it be beneficial to do so.

LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 2015, Santee Cooper had $2.1 billion of cash and investments, of which $644.5 million was available to fund various operating, construction, debt service and contingency requirements. Balances in the decommissioning funds totaled $210.5 million.

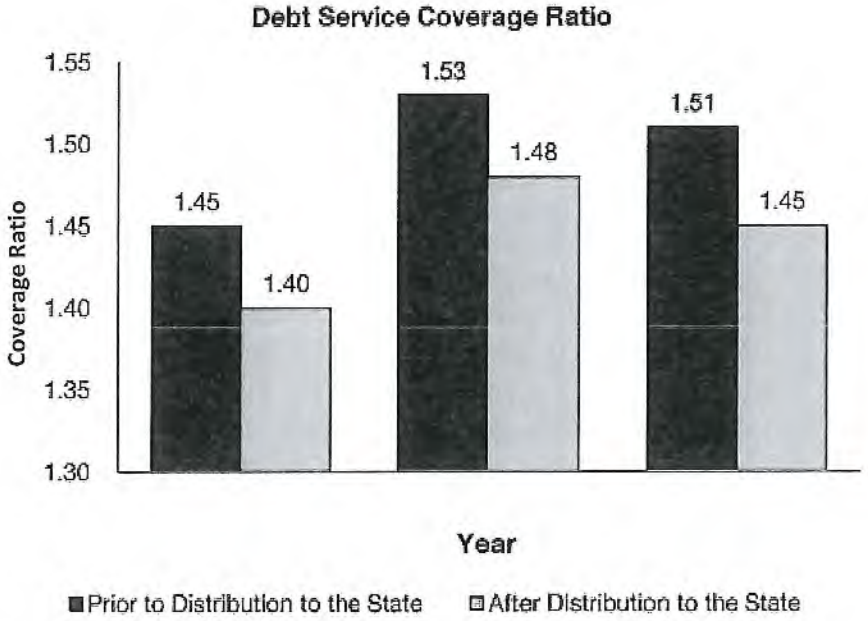
Revolving credit agreements used to support the issuance of commercial paper totaled $750.0 million at December 31, 2015. The agreements with five banks mature at various dates in 2017 and 2018 and management expects to renew or replace the agreements as needed prior to expiration.

In addition, to obtain other funds, if needed, the Authority entered into a new Revolving Credit Agreement with Barclays Bank PLC in October, 2015. This agreement allows the Authority to borrow up to $200.0 million and expires on November 27, 2019.

Net cash used by the Authority during 2015 was $178.8 million. This decrease in cash was due to net cash provided by operating activities of $237.6 million, offset by cash used in financing and investing activities of $75.5 million and $340.9 million, respectively.

DEBT SERVICE COVERAGE

The Authority's debt service coverage (excluding commercial paper and other) for the years ended December 31, 2015, 2014 and 2013 is shown below:



Note: Years 2014 and 2013 were recalculated using the 2015 approved methodology.

BOND RATINGS

Bond ratings assigned by various agencies for the years ended December 31, 2015, 2014 and 2013 were as follows:

Agency / Lien Level	2015	2014	2013
Fitch Ratings			
Revenue Obligations	A+	A+	AA-
Commercial Paper	F1	F1	F1+
Moody's Investors Service, Inc.			
Revenue Obligations	A1	A1	A1
Commercial Paper	P-1	P-1	P-1
Standard & Poor's Rating Services			
Revenue Obligations	AA-	AA-	AA-
Commercial Paper	A-1	A-1	A-1
Taxable LIBOR Index Bonds	N/A	SP-1+	SP-1+

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