

NEWS RELEASE

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Media Contact: Laura Varn
Corporate Communications
843-761-4133
lgvarn@santeecooper.com
www.santeecooper.com

Santee Cooper board suspends efforts to permit proposed Pee Dee Energy Campus

Utility cites three reasons: diminished demand during recession, proposed government regulations and reduced power load requirements

MONCKS CORNER, S.C. — The Santee Cooper board of directors announced today that based on management's recommendation, a decision was made to suspend efforts to permit the proposed Pee Dee Energy Campus in Florence County, S.C.

"We are witnessing three significant changes," the state-owned utility's chairman O.L. Thompson said. "The current recession has reduced overall demand for electricity, proposed federal government regulations would significantly increase the operating costs of coal-fired power plants and Central Electric Power Cooperative, our largest customer, intends to gradually reduce its power load from Santee Cooper by approximately 1,000 megawatts beginning in 2013."

Thompson added that Santee Cooper customers could benefit from the decision, because they may not need to bear the capital costs of constructing the proposed Pee Dee facility. "This could end up being a true benefit for Santee Cooper customers. They have supported us through the permitting process to date, and I trust they will understand that we are acting today in the best interest of our customers, our bondholders and the state of South Carolina. We must always remain flexible to do what is best for the system."

The first reason for suspending the Pee Dee permitting process was attributed to the ongoing recession. "This is the most severe economic downturn since the Great Depression, impacting short-term and long-term power needs," said Santee Cooper president and CEO Lonnie Carter. Santee Cooper's sales are down 5 percent from last year. "In particular, the recession's impact on our industrial customers has been significant. In addition, we anticipate that as the economy recovers from this economic downturn, long-term power needs will be lower," Carter said.

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Carter cited too the proposed federal government regulations, specifically the cap and trade legislation that recently passed in the House, that could have tremendous cost implications for Santee Cooper customers. “The bill calls for carbon capture and sequestration technology to be placed on new plants by 2025, and there currently exists no technology to do that. The cost of the technology and the carbon tax are unknown and expected to be high, and this uncertainty causes great concern for Santee Cooper in considering future coal plants,” he said.

Over a seven-year period beginning in 2013, Central intends to reduce its power load from Santee Cooper and acquire that power from another supplier. By 2019, this would amount to approximately 1,000 MWs. Central distributes Santee Cooper power to all 20 electric cooperatives in all 46 counties of the state. The megawatt reduction would equate to the power requirements of the five Upstate Cooperatives. “Reducing Central’s power load requirement from Santee Cooper obviously affects the need for the 600-megawatt Pee Dee Energy Campus,” said Carter.

The board today directed the CEO to further evaluate the rapid changes in the industry and how it may impact the utility’s future generation plan and report back to the board at a later date.

The Pee Dee Energy Campus received an air permit by the South Carolina Department of Health and Environmental Control (DHEC) and has been moving forward with the federal permits necessary from the U.S. Army Corps of Engineers. The Pee Dee Energy Campus has been widely supported by local and state elected officials, business and civic leaders, and people from throughout the Pee Dee community.

“We have appreciated the support by so many people across the Pee Dee and beyond,” Carter said. “The situation has changed rapidly over the past year and we now need to review the need for additional power generation given the changes that have occurred. Santee Cooper must make sure power is available when needed, and also affordable. We owe that to our customers.”

Santee Cooper is South Carolina’s state-owned electric and water utility, and the state’s largest power producer, supplying electricity to more than 163,000 retail customers in Berkeley, Georgetown, and Horry counties, as well as to 31 large industrial facilities, the cities of Bamberg and Georgetown, and the Charleston Air Force Base. Santee Cooper also generates the power distributed by the state’s 20 electric cooperatives to more than 800,000 customers in all 46 counties. Approximately 2 million South Carolinians receive their power directly or indirectly from Santee Cooper. The utility also provides water to 137,000 consumers in Berkeley and Dorchester counties, and the town of Santee. For more information, visit www.santeecooper.com.