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DOCKET NO. 50/395
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2000 ANNUAL FINANCIAL REPORTS

Pursuant to 10CFR50.71(b), enclosed are ten (10) copies each of South Carolina Electric & Gas Company's 2000 Annual Financial Report and South Carolina Public Service Authority's 2000 Annual Financial Report.

Please contact Mrs. Donna Railey at (803) 345-4107 for additional copies.

Very truly yours,

R Sweet FOR M.N BROWNE

Melvin N. Browne

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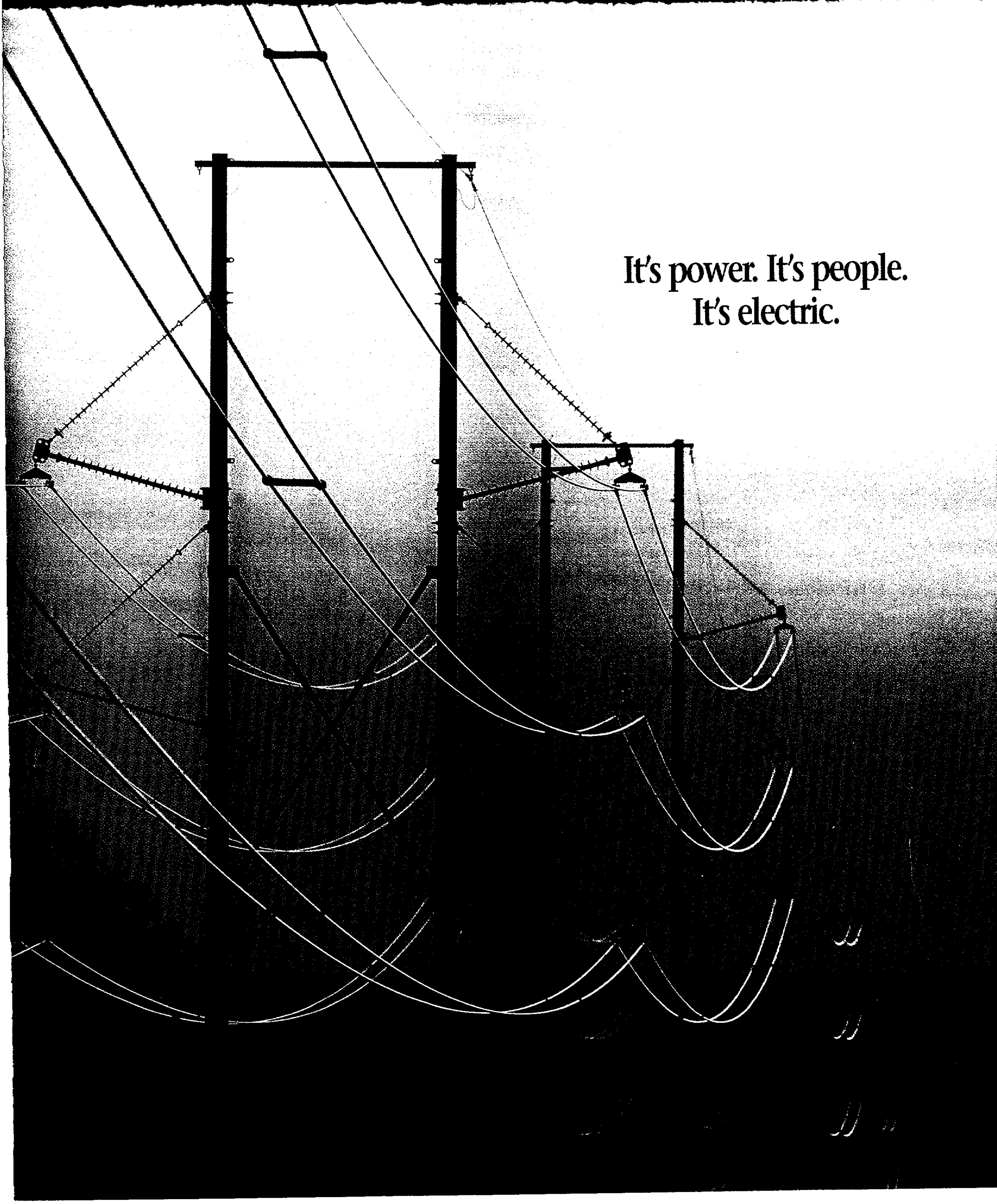
Santee Cooper® 2000 ANNUAL REPORT



It's power. It's people.
It's electric.

Santee Cooper — It's power. It's people. It's electric.

Construction of the Santee Cooper project began on April 18, 1939, with the first electricity generated February 17, 1942 from the Pinopolis Power Plant, (renamed Jefferies Hydroelectric Station in 1966), a five-unit hydroelectric facility near Moncks Corner.

Santee Cooper serves over 128,000 retail customers in Berkeley, Georgetown and Horry counties and supplies power to the municipalities of Bamberg and Georgetown, 34 large industries, and one military installation in North Charleston. The state-owned electric and water utility generates the power distributed by 15 of the state's 20 electric cooperatives. On January 1, 2001, Santee Cooper began providing electricity distributed by five Upstate electric cooperatives. Santee Cooper power now flows in all 46 counties in the state serving over 605,000 customers.

In addition to its original hydroelectric station, the utility owns and operates four large-scale, coal-fired generating stations in South Carolina: Jefferies Station in Moncks Corner, Cross Station in Cross, Winyah Station in Georgetown and Grainger Station in Conway.

Santee Cooper also owns and operates combustion turbine-peaking units at Myrtle Beach and Hilton Head Island and a small hydroelectric unit at the Santee Dam.

The utility owns a one-third ownership in the V.C. Summer Nuclear Station near Jenkinsville.

In October 1994, the Santee Cooper Regional Water System began commercial operation. This signaled a new era in Santee Cooper service to South Carolina. The citizens of Moncks Corner, Goose Creek and Summerville and customers of the Berkeley County Water & Sanitation Authority, some 89,000 water users, are the beneficiaries of this stable supply of one of life's most precious commodities.

Santee Cooper, with corporate headquarters in Moncks Corner, S.C., employs 1,625 people.

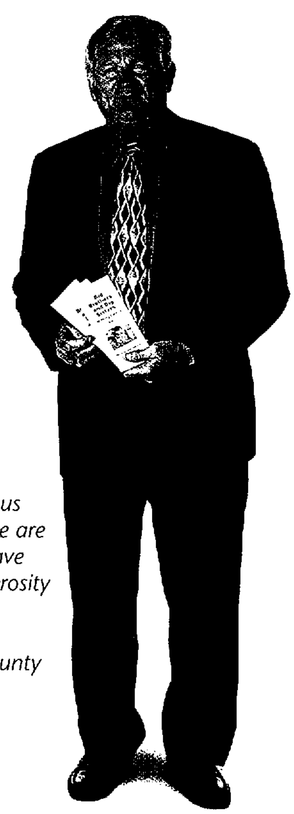
Cover photograph: Some 29.7 miles of transmission lines are being constructed in Upstate South Carolina to deliver power from Santee Cooper's new 800 MW Rainey Generating Station near Iva, S.C. to the Greenwood County Switching Station.

Santee Cooper 2000 Annual Report theme: It's power. It's people. It's electric.

TABLE OF CONTENTS

The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina. To fulfill this mission, Santee Cooper is committed to:

- being the lowest-cost producer and distributor of reliable energy, water and other essential services;
- providing excellent customer service;
- maintaining a quality workforce through effective employee involvement and training;
- operating according to the highest ethical standards;
- protecting our environment;
- being a leader in economic development.



"Santee Cooper has always supported us when we needed a helping hand. There are many children in Horry County who have benefitted from the outreach and generosity of Santee Cooper and its employees."
Julius Derrick, Director,
Big Brothers/Big Sisters of Horry County

Energy Sales

Direct Retail Service

At the end of 2000, Santee Cooper was serving 128,513 residential, commercial and other retail customers located in Berkeley, Georgetown, and Horry counties. This was an increase of 3 percent over 1999. Sales to these retail customers were 3,065 gigawatt-hours, up 6 percent from the previous year.

Military & Large Industrial

Military and large industrial sales were up 5 percent over the previous year.

Wholesale

Sales to the Central Electric Power System for its 15-member cooperatives increased 8 percent. Central is Santee Cooper's largest single customer. These electric cooperatives distribute power to more than 450,000 customers in 38 counties.*

Santee Cooper also provides electricity to the municipalities of Bamberg and Georgetown. Sales to these municipalities rose 5 percent.

*As of Jan. 1, 2001, Santee Cooper generates power for all of the state's 20 electric cooperatives which serve over 600,000 customers.

Santee Cooper had a remarkable year in 2000, highlighted by achievement and change.

As the year 1999 ended, concern over the "Y2K problem" associated with computer systems quickly evaporated. The planning and efforts of many people secured an expected smooth transition and uninterrupted flow of power.

Alec B. McLeod Jr., Chairman of the Board and John H. Tiencken Jr., President and CEO

During 2000, Santee Cooper maintained its commitment to providing low-cost electricity and excellent customer service. We continue to meet that obligation to the 1.6 million South Carolinians we serve either directly or indirectly with power and water.

Santee Cooper has always been a leader in the construction and operation of coal-fired generation. The availability of our generating units, 94.0 percent in 2000, far exceeds the national average of 86.6 percent. This important fact places Santee Cooper at a competitive advantage.

We began construction of an 800 megawatt natural-gas fueled power plant in Anderson County. This is being done to meet the energy needs of a continuously growing customer base.

It has been designated the John S. Rainey Generating Station in honor of our previous board chairman, an Anderson native. This plant will be comprised of a 500 megawatt combined-cycle unit and two 150MW simple-cycle combustion turbines.

Construction is progressing and within budget to meet the planned January 2002 date of commercial operation. And, to the great benefit to our customers, this new generating station is being constructed without the necessity of a rate increase. This fact speaks volumes to our customers and the financial community about how well Santee Cooper has managed and will continue to manage its resources.

The board of directors approved the purchase of two additional combustion turbines, which will be located at a generation site to be determined in the near future.

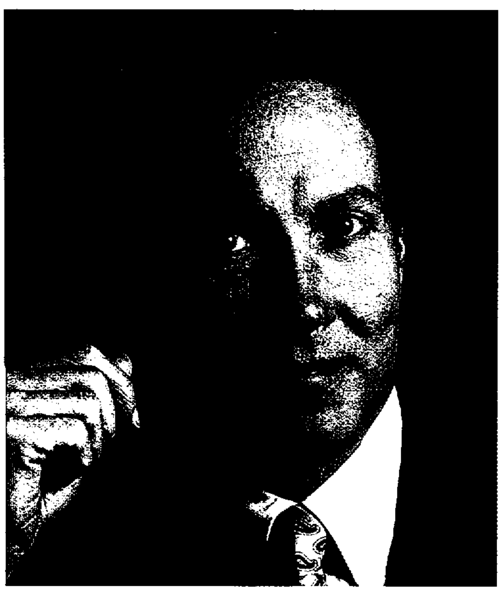
Our customer base is growing. During 2000, our staff worked toward the successful integration of Saluda River Electric Cooperative, headquartered in Laurens, S.C., into the Santee Cooper family of customers.

Under a contract signed in May 1999, this generation and transmission cooperative and its five distribution cooperatives that serve parts of Upstate

South Carolina, would begin receiving power from Santee Cooper on January 1, 2001.

This accomplishment will mark a milestone in Santee Cooper's history. For the first time, Santee Cooper power will flow in all the state's 46 counties.

Approximately 160,000 customers are served by Saluda River's member cooperatives and they will join the balance of the state's cooperative customers receiving Santee Cooper-generated power.


John H. Tiencken Jr., President and CEO

Central Electric Power Cooperative, with its 15 distribution cooperatives, is Santee Cooper's largest customer. Central delivers electricity to more than 450,000 customers located throughout most of the state. Central's customer growth rate continues at a healthy pace.

Santee Cooper also experienced significant growth in its retail base, adding nearly 4,000 new customers. Our service territory, primarily along the coast's Grand Strand, continues its remarkable economic boom. Our distribution crews have done an outstanding job providing the infrastructure to meet customer growth, which in some areas exceeded 5 percent, and overall, was 3 percent.

The energy sales for industrial customers increased 5 percent, from 7,181 gigawatt-hours in 1999 to 7,554 GWh in 2000. This growth was fueled by South Carolina's healthy economy and by the success of the diverse industries making up our customer mix.

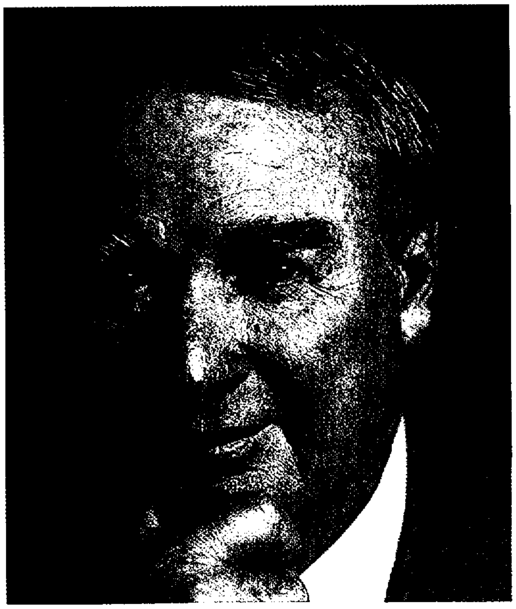
Overall, Santee Cooper's energy sales increased from 20,285 gigawatt-hours in 1999 to 22,139 GWh in 2000, a growth of 9 percent. This increase in sales was not solely attributable to growth on our system.

Off-system energy sales, made possible by the high availability of our generating units, accounted for much of the growth. During 2000, Santee Cooper set a record for off-system energy sales while operating with lower reserves than usual, awaiting the addition of the Rainey Generating Station in 2002.

The growth in marketing our power off-system reflects the success of The Energy Authority (TEA) in making power sales at market prices. A non-profit corporation founded in 1997 by Santee Cooper, MEAG Power and Jacksonville Electric Authority, TEA now has six members and three resource management partners.

This is a nationally acclaimed venture that meets the requirements of a federal mandate to segregate power marketing activities from transmission operations. TEA has established a presence in the South and Midwest as a creative, state-of-the-art power marketer.

Last year, our off-system sales through TEA increased 120 percent to 918,811 megawatt-hours. Our revenue from these sales was $28.7 million.



Alec B. McLeod Jr., Chairman of the Board

TEA has also expanded its mission from the sales and purchasing of electricity to include natural gas, a response to the need that Santee Cooper and the other TEA members have as a result of the installation of gas-fired generation.

Santee Cooper announced in October the construction of a 2.2 megawatt generation project in Horry County. This venture will use methane gas from the county's landfill near Conway as the generating unit's fuel.

The project, in collaboration with the Horry County Solid Waste Authority, Horry Electric Cooperative and Central Electric Power Cooperative, will allow Santee Cooper to offer to its customers "green power" beginning in 2001. This form of renewable energy is the first project of its kind in South Carolina.

But Santee Cooper's commitment to environmental improvement goes farther. In 2000, we collected a record 1.6 million gallons of used motor oil from more than 600 collection sites located across South Carolina. This flow of oil came to Santee Cooper through the Give Oil For Energy Recovery or GOFER program and is converted into electric power.

This 10-year-old statewide program has given do-it-yourself oil changers, industrial customers, state agencies and governmental fleet units a convenient method to properly dispose of their used oil. This lessens the temptation of improper disposal, which could result in the contamination of millions of gallons of groundwater or polluted soil. South Carolina is a cleaner state because of our GOFER program with the nearly eight million gallons of used oil collected over the last decade.

Our commitment to environmental quality was further demonstrated by being named the Industrial Conservationist of the Year by the S.C. Wildlife Federation. In addition, the Winyah Generating Station received national recognition when it was recipient of the Return on Environment award presented by BetzDearborn.

Santee Cooper annually conducts a customer satisfaction survey to determine how our customers feel about us. This year, as in past years, our customers told us they were happy with their electric provider.

The survey, conducted by a national opinion survey firm, reported a satisfaction rate of 98.7 percent, well above the national average for utilities.

Part of that satisfaction is attributable to our low rates, among the lowest in the state. But much of it has to do with our excellent customer service. Customer service is a top priority at Santee Cooper, and the survey reflects that we take that job seriously. However, there is

no resting on our laurels. We will continue to deliver value — and service with a smile — to our customers. Our future depends on it.

While Santee Cooper established records for generation, power delivery and peak demand in 2000, an equally important record was set by our employees. They worked more safely than during any previous 12-month period and had fewer recordable injuries/illnesses per 100 employees than had ever been recorded.

The 2.3 incident rate was the lowest in Santee Cooper's history. With their safety-first commitment, our employees made safety synonymous with performance.

Santee Cooper continues to be financially strong. We have maintained our AA ratings with Fitch, our AA rating with Moody's, and our AA- with Standard & Poor's. Reinvested earnings in 2000 were $74.8 million, representing a 58 percent increase over 1999.

Finally, there were some changes in faces at Santee Cooper during 2000. Governor James Hodges appointed seven new directors on our 11-member board.

This diverse and talented group replaces a board that has astutely guided Santee Cooper with business acumen and integrity. We also said good-bye to T. Graham Edwards, who stepped down as president and chief executive officer in February. Graham provided excellent leadership during his seven years of service as Santee Cooper's sixth chief executive officer.

We are proud of our accomplishments at Santee Cooper. We are blessed with a quality work force that meets the challenges of a changing industry with innovation and dedication to our service commitment: delivery of low-cost, reliable power to customers who deserve to be treated right.

We look forward to the future. We are prepared to meet the challenges and eager for the opportunities a changing electric utility industry will bring.

President and CEO John Tiencken, (left) and Chairman Alec McLeod, (right) discuss some of the sights at the Old Santee Canal Park with Environmental Education Coordinator Christa Maddox (center).

John H. Tiencken Jr.
President and CEO

Alec B. McLeod Jr.
Chairman of the Board

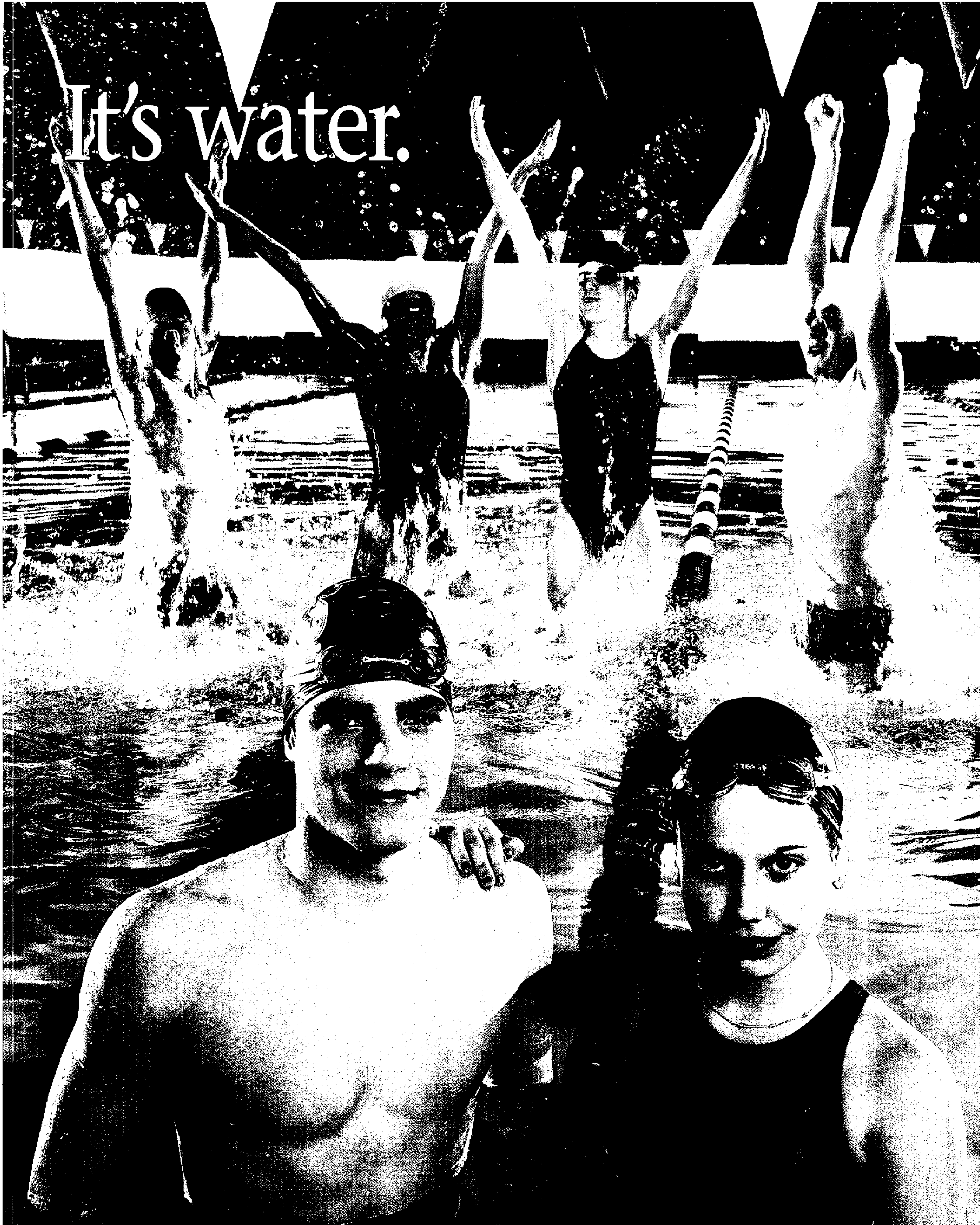
Calendar Year	2000	1999	1998	1997	1996
Total Electric Revenue (in thousands of dollars)	858,457	810,572	772,157	724,211	696,026
Interdepartmental Sales of Electricity and Water	(260)	(230)	(223)	(239)	(258)
Total Electric Revenue-Net of Interdepartmental Sales (in thousands of dollars)	858,197	810,342	771,934	723,972	695,768
Water System	4,219	3,824	3,705	3,852	3,838
Total Operating Revenues (in thousands of dollars)	862,416	814,166	775,639	727,824	699,606
Operating & Maintenance Expenses Charged to Operations (in thousands of dollars)	541,515	480,371	446,537	429,209	400,556
Sums in Lieu of Taxes Charged to Operations(1) (in thousands of dollars)	2,490	2,238	2,134	2,203	1,928
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	8,497	7,883	7,605	7,462	6,682
Net Operating Revenues Available for Debt Service (in thousands of dollars)	354,114	354,830	345,498	317,940	322,673
Reinvested Earnings (in thousands of dollars)(2)	74,817	47,384	39,345	13,596	62,293
Energy Sales (in gigawatt-hours)	22,139	20,281	19,466	18,437	17,549
Number of Customers (at year end)					
Retail	128,513	124,647	119,470	114,290	107,986
Military and Large Industrial	35	35	33	33	33
Wholesale(3)	4	4	5	5	5
Total	128,552	124,686	119,508	114,328	108,024
Summer Peak Generating Capability, (net megawatts)	3,518	3,518	3,518	3,360	3,360
Power Requirements and Supply (in gigawatt-hours)					
Generation: Hydro	301	304	571	520	523
Steam	19,206	17,165	15,933	15,401	14,501
Combustion Turbine	33	46	41	7	3
Nuclear	2,113	2,450	2,723	2,412	2,375
Total (in gigawatt-hours)	21,653	19,965	19,268	18,340	17,402
Purchases, Net Interchanges, etc. (in gigawatt-hours)	170	408	506	310	(110)
Total Territorial Energy Sales (in gigawatt-hours)	21,823	20,373	19,774	18,650	17,292
Territorial Peak Demand (in megawatts)	3,876	3,729	3,523	3,336	3,441

(1) Amounts accrued for payment to the municipalities as franchise fees are not included. Amounts totaled $2,427,000 for 1999, $2,333,000 for 1998, $2,168,000 for 1997, $2,237,000 for 1996, and $2,544,000 for 2000.
(2) Prior year amounts for 1997 and 1996 have been re-stated to conform to current year presentation.
(3) Does not include non-firm sales to other utilities.

COMPARATIVE HIGHLIGHTS

Calendar Year	2000	1999	% Change
Financial (in thousands of dollars)			
Total Revenues & Income	$ 912,206	$ 833,367	9
Total Expenses & Interest Charges	816,346	744,738	10
Other	(21,043)	(41,245)	49
Reinvested Earnings	$ 74,817	$ 47,384	58
Debt Service Coverage	1.81 times	1.79 times	—
Debt/Equity Ratio	71/29	73/27	—

"Kids Who Care is a wonderful example of what can happen when schools, businesses, and the community work together. As a corporate citizen, Santee Cooper is a leader in the area."
Barbara Ford, Founding Member, Berkeley County Kids Who Care

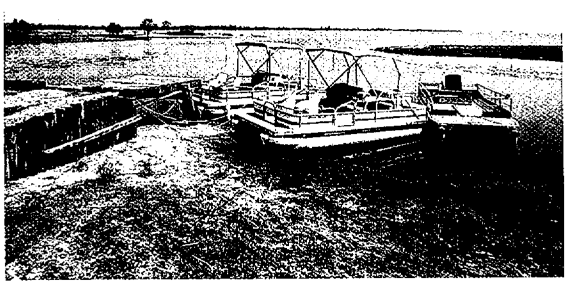


The Santee Cooper Regional Water System provides water to some 89,000 water users in the South Carolina Lowcountry. Here, swimmers Matthew Huff and Jenny Boerman prepare to swim at the home pool of the Summerville Marlin's Racing Team located in Summerville. Water in this pool originated in Lake Moultrie.

Santee Cooper Lakes pivotal to enhanced quality of life.

Lakes Marion and Moultrie, the Santee Cooper Lakes, are a centerpiece of Santee Cooper's heritage. The stewardship of this environmental, recreational and economic resource will play an increasingly larger role in Santee Cooper's future—and the development of counties surrounding the lakes.

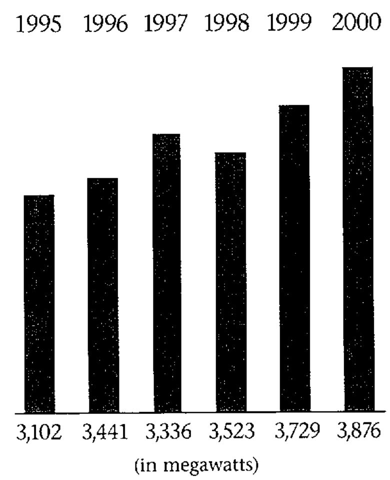
Significantly reduced inflows into the lakes from the statewide drought resulted in abnormally–low water levels beginning in the spring. The situation continued throughout the remainder of the year. This resulted in an economic hardship for marina operators, fishing guides and others who have a stake in the recreational viability of the lakes, the state's largest freshwater system.



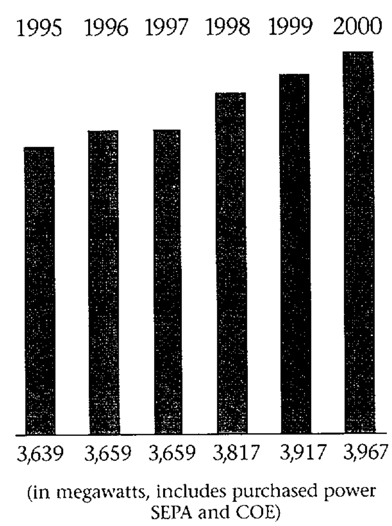
A three-year drought has caused watershed inflows to dwindle and lakes to drop to abnormally low levels.

Full-time and seasonal lakeside residents have also been inconvenienced by the alteration of what has traditionally been a consistent quality of life provided by the resource. Lake levels will return to normal once inflows from the Congaree and Wateree rivers return to normal.

Territorial Peak Demand



Capacity



SEPA=Southeastern Power Administration
COE=U.S. Army Corps of Engineers

Regional Water System proves value in drought.

The Santee Cooper Regional Water System turned 6 years old in October and the system expanded from 24-million gallons per day to 30-mgd. As Berkeley and Dorchester counties continue to grow, the system can easily be expanded up to 36-mgd.

John Fondren IV takes a drink of refreshing water delivered from the Santee Cooper Regional Water System.

The drought did prove the surface-water system's worth, reliably providing the four Lowcountry utilities served by the wholesale delivery system an economical source of water. A peak day delivery record of 20,293,000 gallons of water occurred in May, surpassing the June 1999 one day record of 18,150,000.

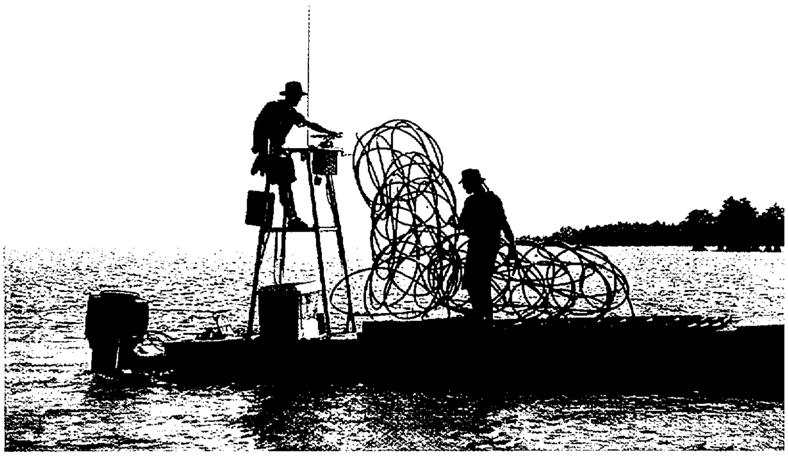
Water system deliveries to the four Lowcountry water utilities comprising the Lake Moultrie Water Agency totaled over 4.5 billion gallons. Water consumption increased 7 percent, while revenue from the Santee Cooper Regional Water System, $4,219,000, increased 10 percent. The use of Lake Moultrie as a water source does not contribute to low-lake levels to any appreciable degree. All of the water consumed by the water system in an entire year represents approximately a one-inch change in the elevation of the lake system.

Effort under way to create Lake Marion Water System.

Santee Cooper is continuing its critical role as a facilitator for the proposed Lake Marion Regional Water System.

A six to 24-million gallons per day system is envisioned, with a treatment plant owned and operated by Santee Cooper. The Lake Marion Regional Water Agency is comprised of representatives from Calhoun, Clarendon, Colleton, Dorchester, Orangeburg and Sumter counties.

Members of the Lake Marion Regional Water System would own the system's capacity, similar to the arrangement with the Lake Moultrie Water Agency, comprised of the four utilities owning the capacity of the Santee Cooper Regional Water System. Through Santee Cooper's ongoing assistance, constituency building, negotiations with municipalities and grant acquisition, $23.3 million has been secured for the project.



To enhance fishing on the Santee Cooper Lakes, 31 artificial fish reefs were placed in various locations across the 156,000 acres of the two lakes.

"Fish SPAHs" enhance habitat for game fish and increase opportunities for anglers.

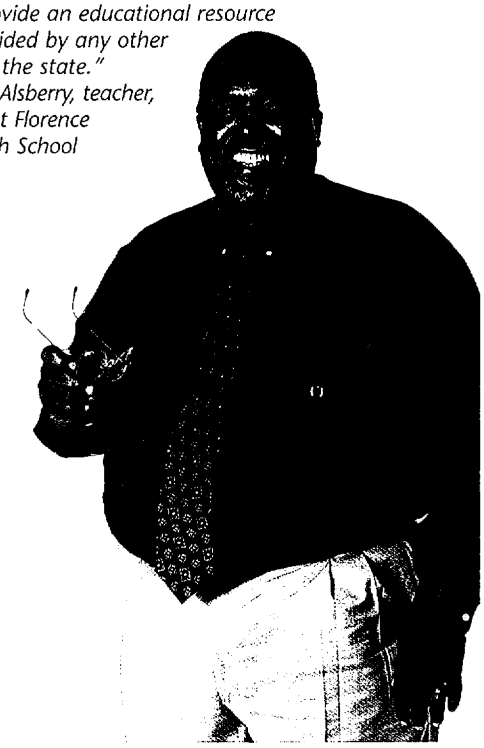
The primary byproduct of the lakes, recreation in general and fishing in particular, continues to receive the stewardship it deserves. To enhance fishing, pyramid-shaped, artificial reefs were placed in the lakes during the latter half of the year.

These Submerged Polyethylene Aquatic Habit structures, dubbed "fish SPAHs," are seven to 15-feet high, weigh up to 500 pounds and are anchored with concrete. Each of the 31 SPAHs placed in the lakes features 200 feet of coiled, three-quarter inch high-density polyethylene, perfect for providing a habitat for fish. In addition to Santee Cooper, the project involved the cooperative efforts of the Berkeley County Legislative Delegation, S.C. Department of Natural Resources, Berkeley Chamber of Commerce and the Santee Cooper Counties Promotion Commission.

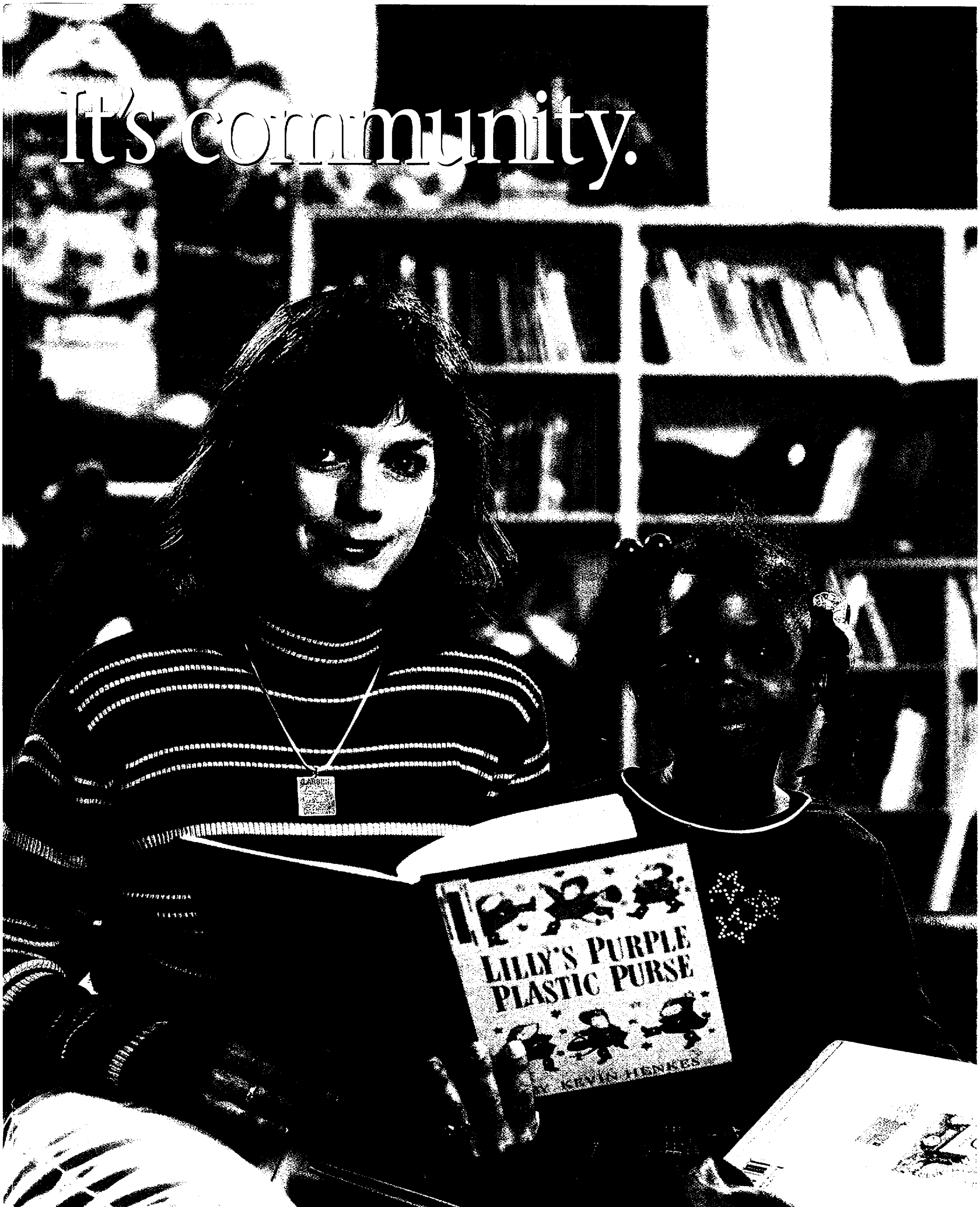
Santee Cooper worked also with the U.S. Fish and Wildlife Service to enhance wildlife habitat at the federally owned Santee National Wildlife Refuge on Lake Marion. Efforts initiated by Santee Cooper over the summer included reclamation of cropland, the replacement of a major water-control structure and restoration of waterfowl impoundments at the 15,000-acre facility.

Environmental interns, college-age students, worked during the summer to plant native vegetation, such as button bushes, in the lakes to improve the ecosystem for angling and waterfowling.

"After attending Santee Cooper's Energy Education Workshop, I learned just what a valuable asset the utility is to South Carolina. They provide an educational resource not provided by any other utility in the state."
Joe Alsberry, teacher,
West Florence
High School



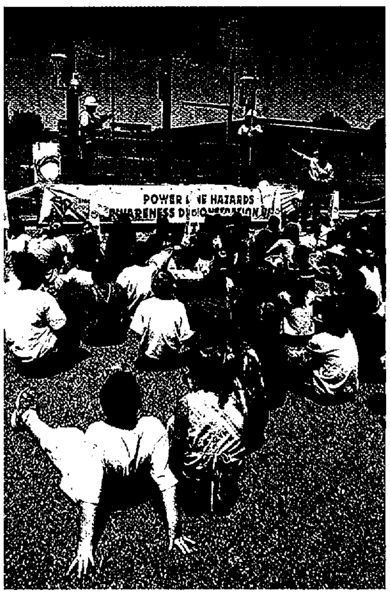
It's community.



Almost 60 Santee Cooper employees participate in the weekly Read with a Child program at Berkeley Elementary School in Moncks Corner. Here, Senior MIS Analyst Rene Tedder reads with Diamond Kinlaw.

Corporate citizenship rates a high priority.

When the question "Who's involved in the community?" is asked, Santee Cooper's name is one of many outstanding corporate citizens at the vanguard. Berkeley, Georgetown and Horry counties, the counties comprising Santee Cooper's direct-service territory, are community beneficiaries in areas of corporate and employee involvement.



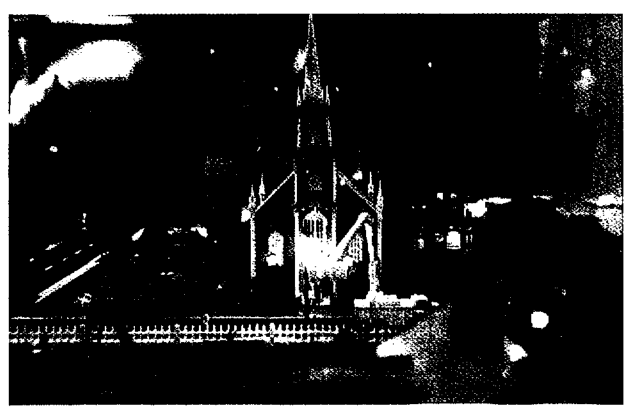
In 2000, 47 presentations were made using the Powerline Hazards Awareness Demonstration unit to 4,335 people.

Educational outreach gives area's schools an "electric" message.

Educational outreach forms the cornerstone of Santee Cooper's role. In January, Santee Cooper's interactive "It's Electric!" exhibit opened in Myrtle Beach at the Children's Museum of South Carolina.

The exhibit showcases electricity to a young audience in an appealing way. It features a town in miniature, with Santee Cooper electric lines, line trucks and a generator. Youngsters can "light up the town" by hand cranking the generator.

Jefferies Generating Station and Macedonia Middle School inked an agreement in May making the rural Berkeley County school a partner in the S.C. Chamber of Commerce's High Performance Partnership Program. In addition to basic educational issues, the partnership focuses on helping students, teachers and administrators develop communication skills, workplace ethics and problem-solving skills.



At the Children's Museum of South Carolina located in Myrtle Beach, Santee Cooper's exhibit features a miniature town that lights up with utility-generated power.

Seventy-three educators participated in the Santee Cooper Energy Education Seminars, immersing themselves in every aspect of the electric utility industry through presentations, tours, hands-on activities and classroom unit-planning sessions. Three one-week seminars have been held annually at the Wampee Conference Center since 1987.

Nearly 3,000 seventh-graders wrote and entered their essays in the Santee Cooper Environmental Essay Contest, the 10th year for the annual competition. This year's theme, "What's the World Coming To?" addressed recycling issues.

Employees volunteer their time for education by participating in Junior Achievement, Read With a Child, Math Buddies, Berkeley County Kids Who Care, Kids Voting–Berkeley County and the McGruff child safety program.

Exhibit highlights value of Rivers and Reservoirs.

The South Carolina Aquarium opened in June and with it, the Santee Cooper-sponsored Rivers and Reservoirs Exhibit, part of the Coastal Plains Gallery at the Charleston attraction. The exhibit shows the lakes, estuaries and waterways of the state's freshwater ecosystem.

The South Carolina Aquarium in Charleston opened in June.

The Old Santee Canal Park completed its first full year of operation under Santee Cooper's management. Through an agreement with the S.C. Department of Parks, Recreation and Tourism, Santee Cooper began operating this natural, historical and educational gem in June 1999. The park is the site of a portion of America's first true canal and drew more than 26,000 visitors in 2000.

Throughout the year, many events were held at the park. The first Shuckin' in the Park Oyster Festival held in March was attended by some 3,000 people. Future oyster festivals will be held the first weekend in March. Another highlighted event was the planting of 25 trees by Berkeley County Kids Who Care and Alcoa Mt. Holly.

"The Wall That Heals," a traveling model of the Vietnam Veterans Memorial in Washington, D.C., was displayed at the park in November. A Victorian Christmas, complete with yuletide decorations, highlighted the holiday season.

Noted naturalist Rudy Mancke, host of the "NatureScene" TV show on the S.C. Educational Television Network, is involved part-time at the Old Santee Canal Park as a naturalist and environmental resources and program director. Mancke's program is seen in more than 200 domestic and foreign markets.

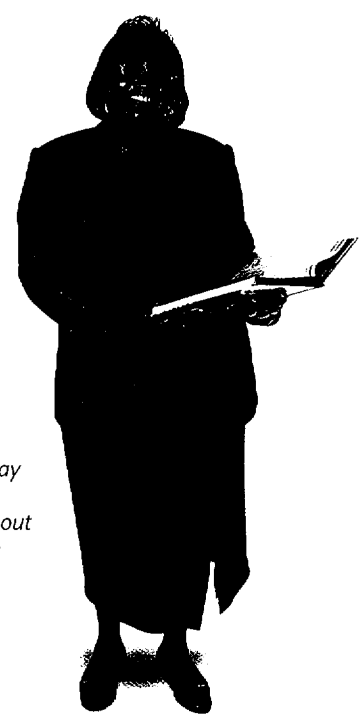
Naturalist Rudy Mancke examines some of the plant life found at the Old Santee Canal Park in Moncks Corner.

Bright Light Award and Environmental Symposium recognize community service and seek solutions.

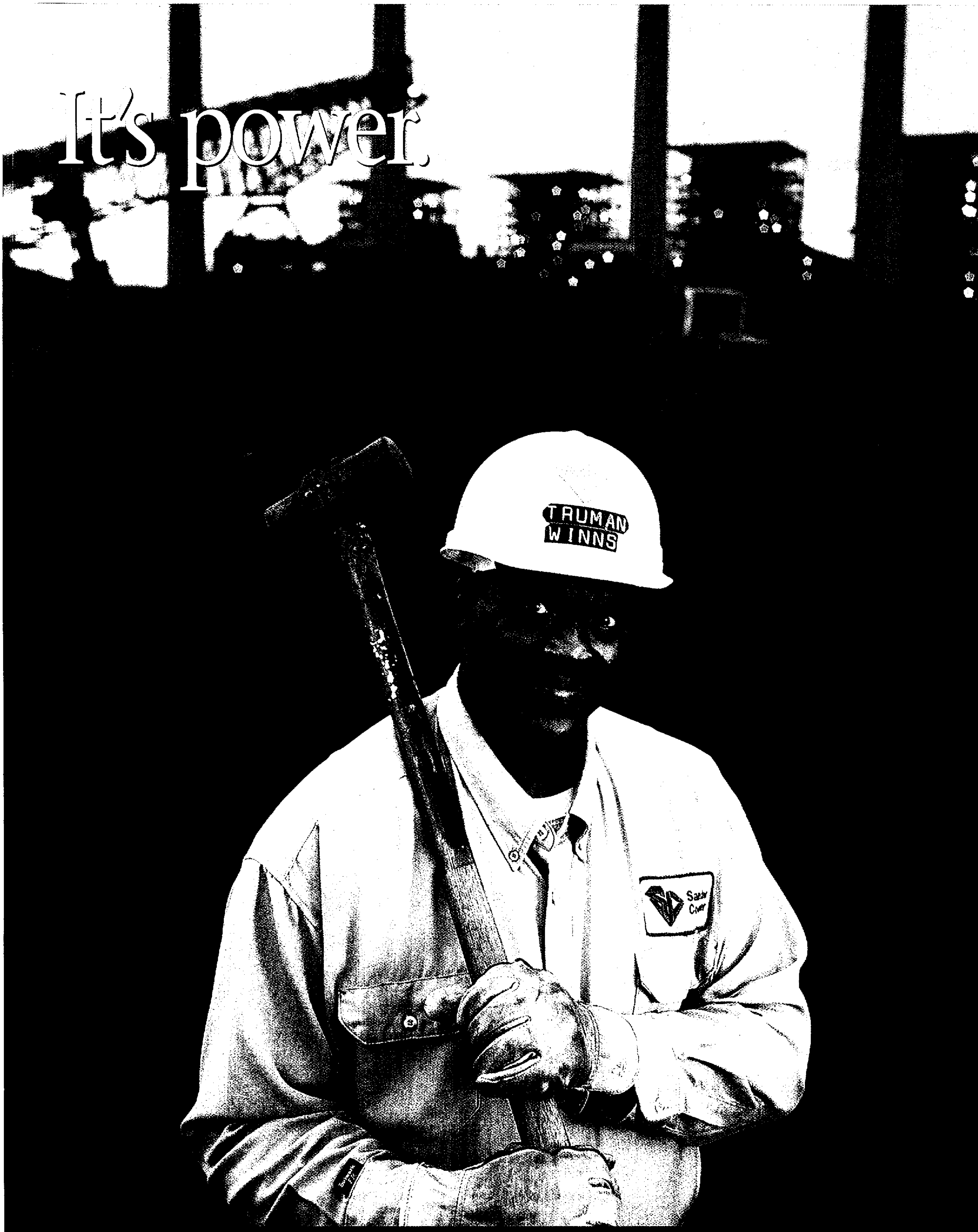
Outstanding citizens contributing to communities in Horry and Georgetown counties are recognized by the Santee Cooper Bright Light Award, presented by Santee Cooper's president and chief executive officer.

As South Carolina continues to grow, issues affecting the quality of life have emerged. Nearly a decade ago, Santee Cooper recognized the need for a statewide forum to address the challenges posed by prosperity.

The South Carolina Environmental Symposium, the state's longest-running environmental event of its type, has had Santee Cooper as its primary sponsor since its inception nine years ago. "The Business of Smart Growth," the theme of the 2000 event, attracted over 200 attendees.



"The Santee Cooper Environmental Essay Contest teaches students writing and research skills while educating them about environmental issues. I'm proud to have had several winners in this contest."
Lena English, teacher,
Williams Middle School,
Florence, S.C.



Santee Cooper burned over seven million tons of coal in 2000 to generate electricity for over 1.6 million South Carolinians. Here, Winyah Station's Utility Worker Truman Winns readies to unload one of the coal cars.

Despite record demand, electricity flows to power economy into new millennium.

The Y2K "problem" was one that wasn't at Santee Cooper. Years of planning, assessing, testing and retesting a multitude of computers and systems paid off as the 1990s were smoothly left behind on New Year's Day — just like clockwork.

- *Santee Cooper added 3,866 retail customers, an increase of 3 percent, for a total of 128,513. It is noteworthy that in 1995 Santee Cooper added its 100,000th customer.*
- *Total megawatt-hour sales increased 9 percent, totaling 22,138,862 MWh. Retail MWh sales were up 6 percent; industrial 5 percent and wholesale 13 percent.*
- *Electric revenue growth increased 6 percent, totaling $858,457,000. Retail revenue increased 8 percent, industrial 5 percent and wholesale 6 percent.*

Power-demand records were set and Santee Cooper continues a trend as a winter-peaking electric utility. An all-time system peak of 3,876 MW was set on January 27. The summer's peak of 3,753 MW occurred on July 20.

Record off-system sales were recorded. Santee Cooper sold 918,811 megawatt-hours to other utilities through The Energy Authority. System availability of 94.0 percent compared to a national average of 86.6 percent contributed to these sales.

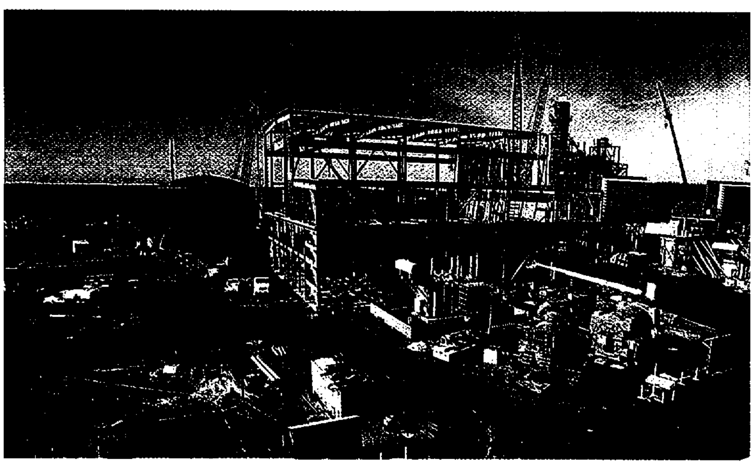
The five units at Jefferies Hydroelectric Station have a generating capacity of 128 megawatt-hours. It began commercial operation in 1942.

Off-system sales are handled by TEA. Since 1997, Jacksonville, Fla.–based TEA has marketed wholesale power and coordinated the operation of Santee Cooper's generation assets to maximize the efficient use of electrical energy resources. Five other public power utilities are members of TEA.

Construction projects ensure future supply.

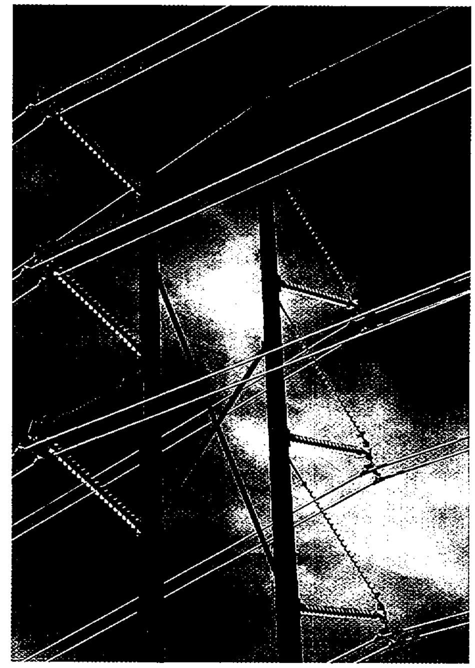
Meeting demand is an ongoing challenge and Santee Cooper is responding by constructing new generation near the Starr and Iva communities in rural Anderson County.

The $397 million John S. Rainey Generating Station will be an 800 MW natural-gas fired facility. Following site preparation, construction officially began in April. Commercial operation is scheduled to begin in January 2002.



The natural-gas fired Rainey Generating Station near Iva, S.C. will have 800 megawatts of capacity when it begins commercial operation in 2002.

Generating stations are constantly seeking ways to operate more efficiently. The Annual Goals Program is a competition among Santee Cooper's four large-scale, coal-fired stations. Grainger Generating Station took top honors for 2000.



Construction of 29.7 miles of transmission lines in the Upstate began in 2000. These lines will tie the Rainey Generating Station to the Greenwood Switching Station.

A 230-kilovolt transmission line is under construction to carry power from the Rainey Generating Station to the Greenwood County Switching Station near Hodges. At the switching station, power from the Rainey Generating Station will be placed onto the Santee Cooper grid.

"Green power" balances environment, growth.


GOFER oil collection trucks regularly travel across the state to collect used motor oil from over 600 collection sites.

A year of innovation in generation continued on Oct. 27 when Santee Cooper announced the state's first "green power" project. The $2.3 million venture will make electricity at the Horry County Solid Waste Authority's Conway landfill using methane gas as a fuel. This is the first project of its type in South Carolina with commercial operation slated for fall 2001.

The clean, renewable energy source will generate at least 2.2 megawatts of "green power," enough to light up about 400 average-sized homes. In addition to the Horry County Solid Waste Authority, Santee Cooper is teaming up with Horry Electric Cooperative to develop a green power marketing plan for customers of both utilities.


Since the inception of the Give Oil For Energy Recovery program in 1990, nearly eight million gallons of used motor oil have been collected.

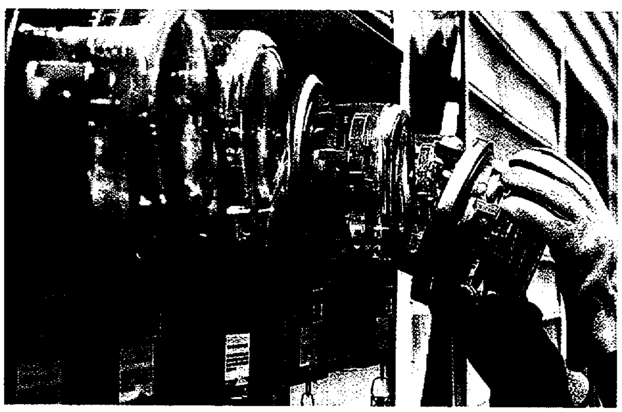
The state's largest used motor oil collection program, Give Oil For Energy Recovery or GOFER program, turned 10 years old in July. The oil is safely converted into electric power. Targeting do-it-yourself oil changers, GOFER has grown from a handful of collection sites to over 600. Statewide placement of sites is primarily the result of partnerships with county recycling efforts and electric cooperatives. There is at least one GOFER collection site in every South Carolina county.

In each succeeding year since inception, GOFER collections have set records. The latest is 1.6 million gallons, a six percent increase over last year. Collections over a decade total nearly eight million gallons producing enough electricity to power 500,000 average-sized homes for 30 days.

Totals reported annually to the S.C. Department of Health and Environmental Control over the last several years show GOFER collects nearly 85 percent of the used motor oil disposed of in South Carolina.

Low-cost power provides inducement to industry.

Since its inception, Santee Cooper has existed to provide low-cost power to industry as direct customers and through the 15 electric cooperatives receiving Santee Cooper power through Central Electric Power Cooperative.



Over 128,000 retail customers in Berkeley, Georgetown and Horry counties receive their power directly from Santee Cooper.

The S.C. Department of Commerce uses power-cost advantages as a powerful tool in economic development. Statewide figures from the commerce department recorded $6.1 billion in new investments, the second-best ever. New jobs created totaled 35,132, up 11 percent from the previous record in 1998.

Of the state's 1,628 announcements, 475 were in rural areas largely served by the state's electric cooperatives.

Santee Cooper's economic development staff works with Palmetto Economic Development Corp., based in Columbia. PEDC was formed by Santee Cooper and Central's co-ops in 1988 to more effectively recruit new industry and increase job opportunities throughout the state.

In 2000, Santee Cooper and PEDC were responsible for 23 of the 28 industrial and commercial locations that were announced or began operating in the service territory served by Santee Cooper and Central's member cooperatives.

This represents:

- *A capital investment of $452.37 million and 3,058 jobs.*
- *An additional electric load for Santee Cooper of approximately 40 megawatts.*

Fly ash from Winyah Generating Station will be sold to Southeastern Fly Ash Co. who will convert the ash to a product used in the ready-mixed concrete industry.

Part of this economic development was a carbon-recycling plant announced in June at the Winyah Generating Station near Georgetown. Southeastern Fly Ash Co. is leasing land at Winyah Generating Station for its $13.5 million facility. The Moncks Corner-based firm will have the ability to convert nearly 200,000 tons of fly ash annually.

The process produces a product that is used in the "ready-mixed" concrete industry. The fly ash will come from Units 1,2,3 and 4 at Winyah Generating Station and Units 1 and 2 at Grainger Generating Station in Conway. The project creates up to 20 full-time jobs.

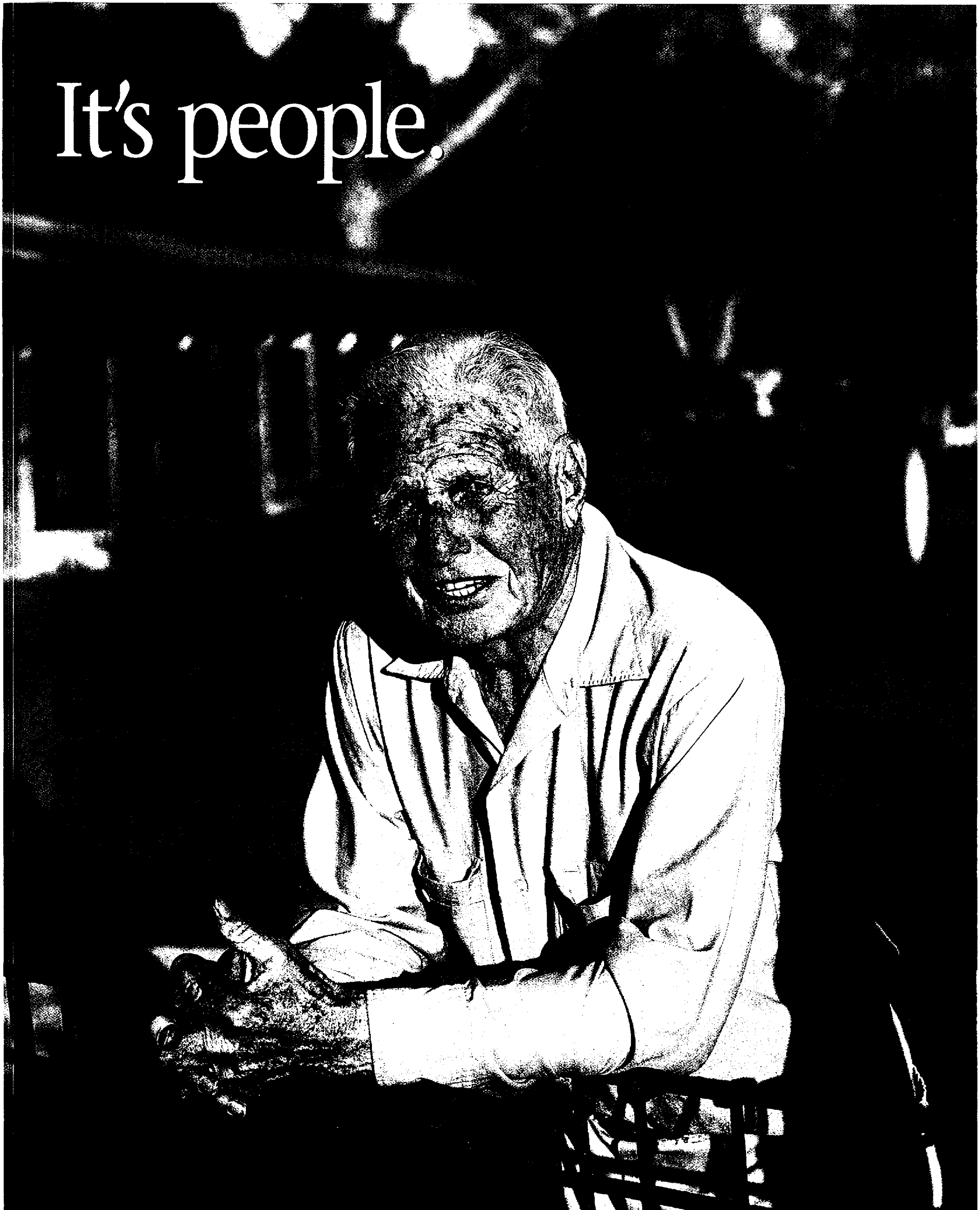
Total output of combustion byproducts by Santee Cooper in 2000 was approximately 300,000 tons of fly ash and 65,000 tons of synthetic gypsum. Current utilization of combustion byproducts is 51 percent, topping the national average of 25 percent for all electric utilities.

Ground was broken on the Mt. Holly Commerce Park in 1998 and is a joint venture of Santee Cooper, Alcoa Mt. Holly and Berkeley County government. The manufacturing facility at Parker Hannifin's Gas Turbine Fuel System Division opened in October 2000. Parker Hannifin has the distinction of being the park's first tenant. A speculative building is also located at the site. Located between Moncks Corner and Goose Creek, the park is the first "Class A" industrial park in the Lowcountry.

Santee Cooper began site preparation in December on a 25,000 square foot speculative building at the Loris Commerce Center.

"The American Cancer Society's Relay for Life held in Moncks Corner has set records for the past three years. A major part of that success is due to the support of Santee Cooper and its employees."
Melissa Johnson,
2001 Co-Chairperson,
Moncks Corner
Relay for Life

It's people.



Long-time Berkeley County resident Harold Harvey remembers what the area looked like before the Santee Cooper Lakes were constructed. He touts the work Santee Cooper is doing to improve the quality of life for South Carolinians.

Santee Cooper people work to make state better place.

Throughout each and every year, it is the people of Santee Cooper who are working to improve the environment, streamlining processes for more efficient operations, and improving customer service. Examples are many.

Worker safety has always been of paramount concern. One of the safest years on record was recorded in 2000 with 95.9 percent of employees working accident free. The overall incident rate was 2.3, significantly below the national average for comparable organizations during the previous year.

More than 1,600 Santee Cooper employees do their part each day to provide quality customer service and reliable electricity.

Stewardship honored.

In January, Santee Cooper received the 1999 Industrial Conservationist of the Year Award from the S.C. Wildlife Federation. This recognition was given for the ongoing conservation and management programs on Lakes Marion and Moultrie. Santee Cooper received three SCWF awards in the 1990s.

Santee Cooper works diligently to maintain the rights of way along its 4,233 miles of transmission lines while providing a habitat for wildlife.

BetzDearborn Corp., a global company supplying specialty chemicals and engineered programs for the treatment of water, wastewater and process systems, awarded Santee Cooper a Return on Environment award for energy conservation and improved cooling-water treatment at the Winyah Generating Station. A rigorous documentation and evaluation process is conducted before the firm's award is given. Winyah received one of seven awards presented nationally. The names of winners are published in Fortune magazine.

Service earns an award.

Santee Cooper is consistently recognized for outstanding customer service. Last fall, the Waccamaw Quality Council in Horry County presented Santee Cooper its Recognizing Excellence in Customer Satisfaction Award. Santee Cooper was one of three Grand Strand firms receiving the organization's award in 2000.

Criteria for winning the award is based on the customer-service portion of the Malcolm Baldrige

Environmental stewardship is important at Santee Cooper where many programs are in place to protect and improve the environment.

National Quality Award. A board of examiners closely scrutinized customer service during a daylong on-site visit.

Santee Cooper's annual Residential Customer Satisfaction Survey continues a tradition of showing strong numbers. The latest report reveals Santee Cooper's overall satisfaction rating among 300 residential customers surveyed is 98.7 percent.

The survey measures customer satisfaction on a variety of issues. In addition to service, the survey polls customers' assessment of operations and management, responsiveness, conservation, environmental responsibility, customer concern, community involvement, rates and value.

Quality of life issues remain as dominant focus.

Santee Cooper has always been a big part of the Palmetto Trail. The path's very first section, the 26-mile long Lake Moultrie Passage, opened in January 1996. The 400-mile long "mountains to the sea" trail is nearing completion.

In July, the Lake Marion Passage, a 25-mile long segment opened and joins the 18-miles of the Eutaw Passage. Santee Cooper management and employees working with the Palmetto Conservation Foundation have added a tremendous amenity to the state's recreational inventory. Approximately 42 miles of the trail wind through Santee Cooper land.

Santee Cooper worked with Brookgreen Gardens and Southern Living magazine to open the Southern Living Showcase Home. The one-of-a-kind 2,214-square-foot home is located inside the gates of the 9,100-acre gardens, home to America's largest display of outdoor figurative sculpture. Built to Santee Cooper's energy-efficient Good Cents standards, the all-electric home reflects an easygoing Southern lifestyle.

Santee Cooper's commitment to people has always benefited education. The Santee Cooper Graduate Fellows Program in Power Engineering, announced in September, is a prime example. The endowed fellowship will provide financial assistance to graduate students in Clemson University's electrical and computer engineering department. Research focuses on advances in the generation, transmission and distribution of electricity.

Preserving the natural environment is the goal of the Lord Berkeley Conservation Trust, people working to safeguard the natural attractiveness for generations to come. Its biggest coup last fall was the placement of 5,000 acres of land belonging to Nucor Steel Corp. into a permanent conservation easement on the plant's Cainhoy site. Nucor Steel is a Santee Cooper industrial customer and the nation's third largest steel manufacturer.

Santee Cooper is about the land and water charged to our perpetual care. It is about the dams and dikes and lakes and canals now part of the state's landscape for nearly six decades. It is about the buildings we have built and work in, with all the machines of a modern age.

No matter how far we advance, Santee Cooper in the end... is about people.

Availability – The amount of time that a system is available to provide service, usually expressed in percentage, for a specific period of time such as a month or year.

Btu (British Thermal Unit) – The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.

Capacity – The load for which a generating unit, generating station, or other electrical apparatus is rated either by the user or by the manufacturer.

Combustion turbine – A jet-type turbine engine which burns gas or oil and propels a generator to produce electricity.

Commercial customer – All nonresidential retail customers served under the General Service rate schedules. Generally, these customers have a demand less than 1,000 kW per month.

Demand – The rate at which electric energy is delivered to or by a system, part of a system or a piece of equipment. It is expressed in kilowatts at a given instant or averaged over any designated period of time. The primary source of "demand" is the power-consuming equipment of the customers.

Deregulation – The elimination of regulation from a previously regulated industry of sector.

Distribution – The process of delivering electric energy from convenient points on the transmission or bulk power system to the consumers. Also, a functional classification relating to that portion of utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of distribution plant.

Electric cooperative – A group of persons who have organized a joint venture for the purpose of supplying electric energy to a specified area. In South Carolina, there are 20 electric co-ops, of which 15 receive Santee Cooper-generated power.

Energy sales – The sale of electric energy to wholesale and retail customers usually expressed in kilowatt-hours.

FERC (Federal Energy Regulatory Commission) An independent federal agency created within the Department of Energy, FERC is vested with broad regulatory authority over wholesale electric, natural gas, and oil production and the licensing of hydro-electric facilities. Among other things, the agency has regulatory authority over the safety of Santee Cooper's dams and dikes.

Fly ash – Gas-borne particles of matter resulting from the combustion of fuels and other materials.

Generating unit – A combination of equipment needed to produce electricity, such as a turbine-generator and its boiler. A generating station usually consists of several units.

Gypsum – This is both a naturally occurring and an artificially produced calcium sulfate (CaSO4) compound. It is used for a multitude of purposes including sheetrock, fertilizer and cement production. Artificial gypsum may be produced by utilities using forced-oxidation desulfurization systems.

Heat rate – A measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour. It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting kilowatt-hour generation. The lower the heat rate, the more efficient the production.

Hydrilla – A non-native aquatic plant. It is the most problematic aquatic plant species in the Santee Cooper Lakes, as well as in the state. Hydrilla forms large, dense populations which displace native species and impair water activities such as boating and fishing.

Industrial customer – Very large retail customers served under Santee Cooper's Large Light and Power rate schedule (or associated riders). These customers have a demand greater than 1,000 kW.

Investor-owned utility – Refers collectively to those integrated utilities organized as privately owned, taxpaying entities financed by the sale of stock in the free market and managed by representatives (directors) regularly elected by stockholders.

Kilowatt (kW) – 1,000 watts.

Kilowatt-hour (kWh) – The basic unit of electric energy equal to one kilowatt (1,000 watts) of power flowing through an electric circuit steadily for one hour.

Load – The amount of electric power delivered or required at any specified point or points on a system.

Megawatt (MW) – One million watts or 1,000 kilowatts.

Megawatt-hour – The basic unit of electric energy equal to one megawatt (1,000 kilowatts) of power flowing through an electric circuit steadily for one hour.

Mini-Bonds – Bonds issued by Santee Cooper in denominations of $500 for current interest bearing bonds (CIBS) or $200 for capital appreciation bonds (CABS) in a maximum amount to any one individual of $5,000, which were sold directly to customers and other residents of South Carolina.

North American Electric Reliability Council (NERC) – Formed in 1968, its mission is to promote the reliability of the electricity supply for North America.

Open Access Same-Time Information System (OASIS) – A computer information system that enables all buyers and sellers to have equal access to Santee Cooper's transmission system. It is designed to ensure that transmission owners do not have an unfair advantage in using their own transmission resources to sell or wheel power.

Peak demand – The maximum amount of electricity used by a utility customer at any instant during a specific time period. The peak is used to measure the amount of electric generating capacity that is required to meet that maximum demand.

Public power – Refers collectively to those utilities owned by municipalities or the state or federal government. Although not government owned, electric cooperatives are sometimes considered within the scope of public power.

Reinvested earnings – Net revenues available for reinvestment in the business.

Residential customer – The classification of customers to whom electricity is sold for household purposes.

Restructuring – The changes in the regulatory and statutory policies governing electric utilities as well as the changes that are taking place in the marketplace and electric utility industry as a result of these changes in policies.

Retail customer – These customers are the ultimate consumer of electric energy. Includes residential, commercial, small industrial and other non-wholesale customers.

Revenue bond – A bond payable solely from net or gross non-taxable revenues derived from the operation and charges paid by users of the system.

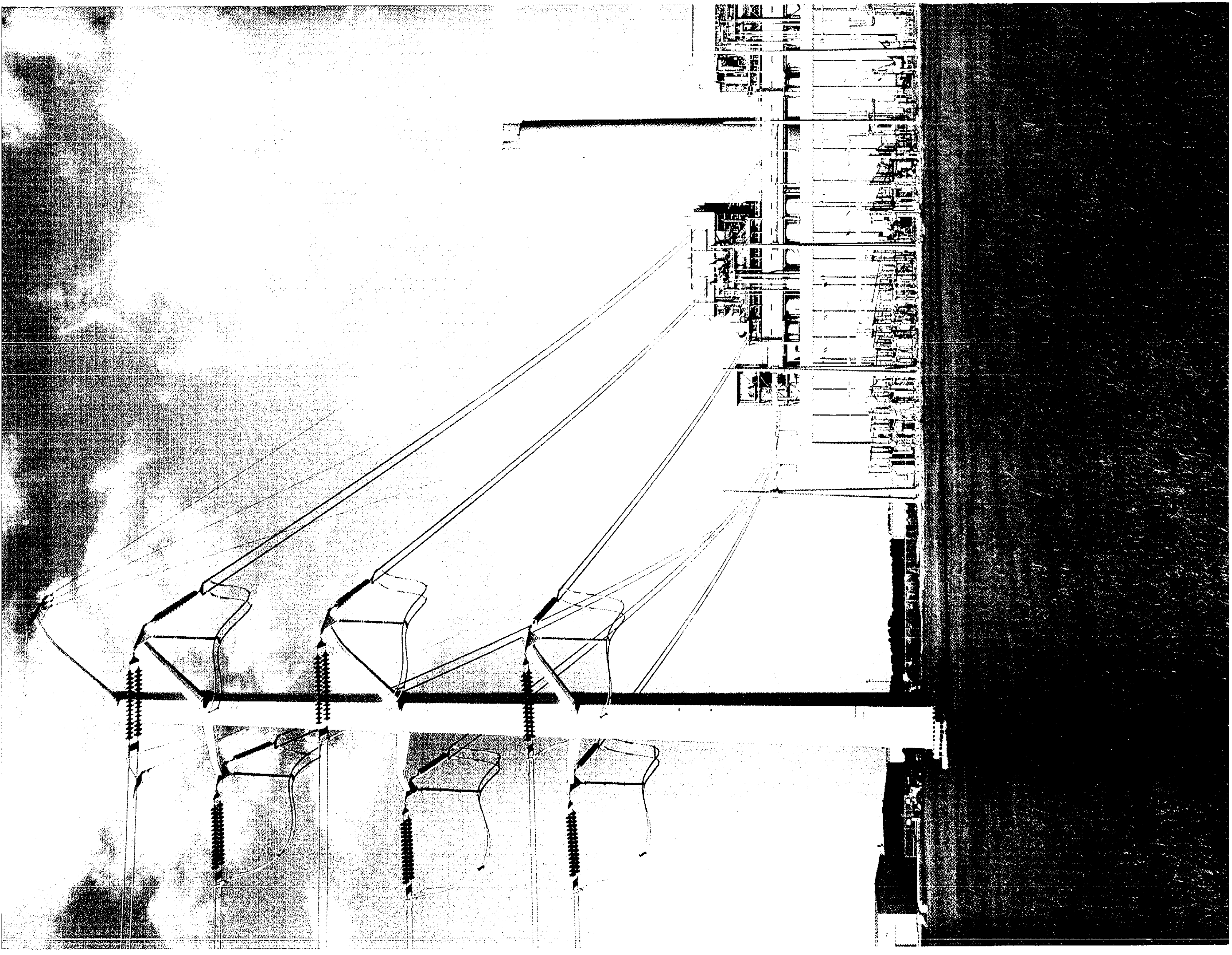
Substation – An assemblage of equipment for the purpose of switching and/or changing or regulating the voltage of electricity.

Tax-exempt financing – A form of financing employed by publicly owned utilities that allows such utilities to issue bonds where the interest paid on the bonds is not generally subject to taxation. This policy, established in law, stems from the long-standing philosophical viewpoint that publicly owned utilities (electric, water, sewer) provide basic services to the citizens they serve and thus should not be taxed.

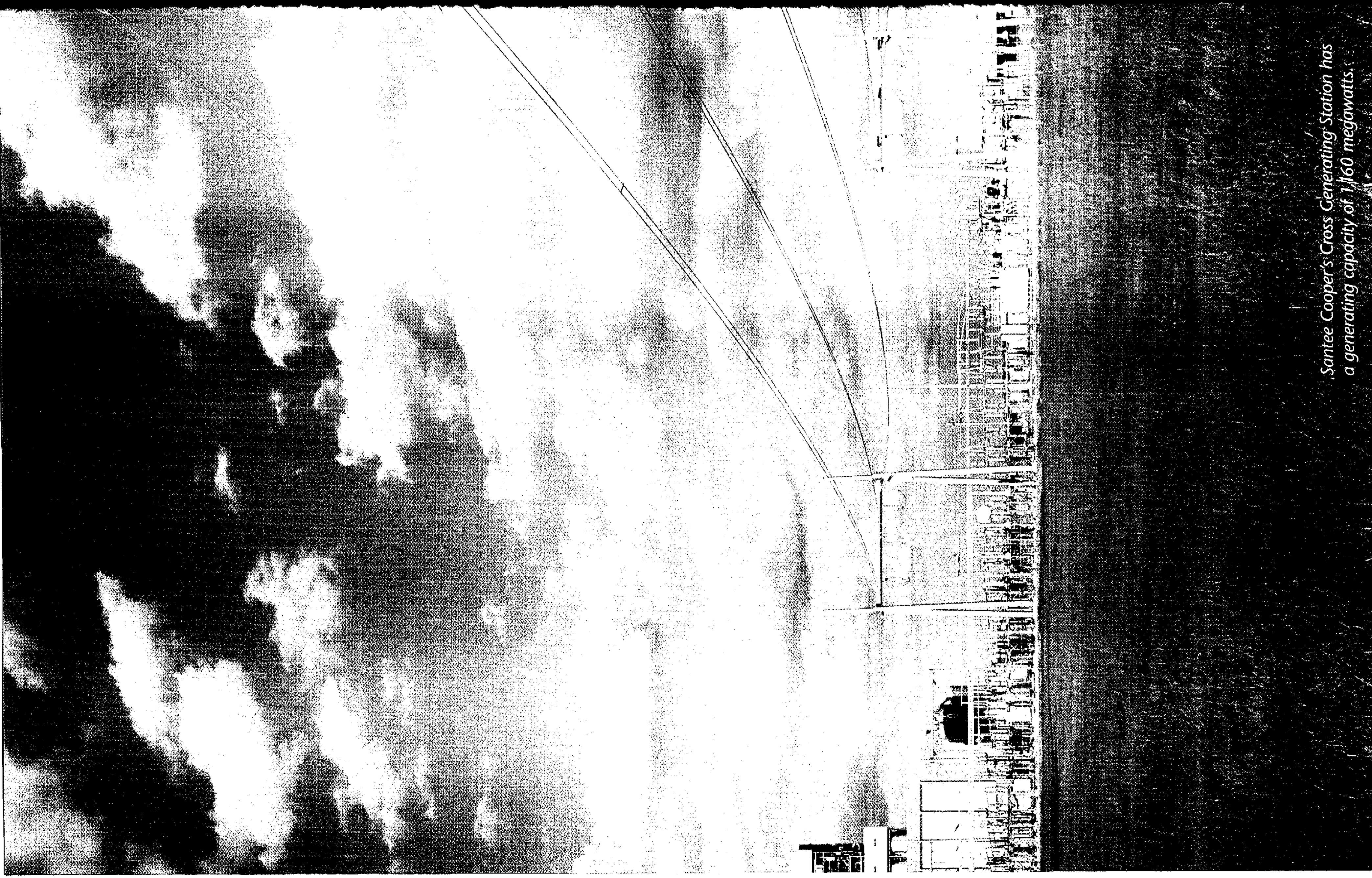
Transmission – The process of transporting electric energy in bulk from a source or sources of supply to other principal parts of the system or to other utility systems. Also, a functional classification relating to that portion of utility plant used for the purpose of transmitting electric energy in bulk to other principal parts of the system or to other utility systems, or to expenses relating to the operation and maintenance of transmission plant.

Watt – The basic electrical unit of power or rate of doing work. The rate of energy transfer equivalent to one ampere flowing due to an electrical pressure of one volt at unity power factor. One watt is equivalent to approximately 1/746 horsepower, or one joule per second.

Wholesale customer – A customer who purchases all or part of their electricity from the electric utility for resale.



FINANCIAL STATEMENTS | CALENDAR YEAR 2000



Santee Cooper's Cross Generating Station has a generating capacity of 1,160 megawatts.

To the Advisory Board and Board of Directors of the South Carolina Public Service Authority:

We have audited the accompanying balance sheets of the South Carolina Public Service Authority (a component unit of the state of South Carolina—Note 1) as of December 31, 2000 and 1999 and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Charlotte, North Carolina,
February 9, 2001.

South Carolina Public Service Authority
December 31, 2000 and 1999

ASSETS	2000	1999
	(Thousands)	
Utility Plant – At Cost:		
Plant in service	$ 3,464,528	$ 3,414,822
Less accumulated depreciation	1,387,482	1,294,079
Total plant in service - net	2,077,046	2,120,743
Construction in progress	331,793	160,148
Nuclear fuel – at amortized cost	27,240	20,551
Total utility plant – net	2,436,079	2,301,442
Other Physical Property (Net of Accumulated Depreciation)	1,688	1,728
Investment in Associated Company	8,307	4,382
Cash and Investments Held by Trustee (Designated)	318,986	435,259
Current Assets:		
Cash and investments held by trustee	164,347	143,983
Bond funds – current portion	101,149	122,158
Accounts receivable – net of allowance for doubtful accounts of $332,000 and $991,000 at December 31, 2000 and 1999, respectively	95,695	83,156
Accrued interest receivable	3,238	5,163
Inventories, at average cost:		
Fuel	35,754	48,346
Materials and supplies	35,221	33,100
Prepaid expenses	537	773
Total current assets	435,941	436,679
Deferred Debits and Other Assets:		
Unamortized debt expense	25,390	27,646
Costs to be recovered from future revenue	283,430	304,476
Deferred coal contract buy-out costs	18,624	25,600
Other	35,367	26,011
Total deferred debits and other assets	362,811	383,733
Total	$ 3,563,812	$ 3,563,223

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

LIABILITIES AND CAPITALIZATION	2000	1999
	(Thousands)	
Long-Term Debt:		
Electric Revenue Bonds – Priority Obligations	**$ 20,270**	$ 23,815
Revenue Bonds	**1,869,190**	1,931,175
Revenue Obligations	**323,640**	323,640
Capitalized Lease Obligations	**26,933**	29,485
Total long-term debt (net of current portion)	**2,240,033**	2,308,115
Less:		
Unamortized loss on refunded debt	**247,695**	262,464
Reacquired debt	**0**	1,070
Unamortized debt discount and premium – net	**38,374**	40,408
Long-term debt – net	**1,953,964**	2,004,173
Current Liabilities:		
Current portion of long-term debt	**68,082**	86,283
Accrued interest on long-term debt	**61,646**	61,665
Commercial paper notes-net	**331,578**	370,059
Accounts payable	**59,723**	53,664
Other	**31,478**	20,075
Total current liabilities	**552,507**	591,746
Deferred Credits and Other Noncurrent Liabilities:		
Construction fund liabilities	**11,901**	4,220
Nuclear decommissioning costs	**77,182**	62,461
Unamortized gain on reacquired debt	**250**	368
Other	**32,834**	31,672
Total deferred credits and other noncurrent liabilities	**122,167**	98,721
Commitments and Contingencies (Note 9)		
Capital Contributions – U.S. Government Grants	**34,921**	34,650
Accumulated Earnings Reinvested in the Business	**900,253**	833,933
Total	**$ 3,563,812**	$ 3,563,223

South Carolina Public Service Authority
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
		(Thousands)	
Accumulated earnings reinvested in the business – beginning of year	**$ 833,933**	$ 794,432	$ 762,692
Reinvested earnings for the year	**74,817**	47,384	39,345
Total	**908,750**	841,816	802,037
Distribution to the state of South Carolina	**8,497**	7,883	7,605
Accumulated earnings reinvested in the business – end of year	**$ 900,253**	$ 833,933	$ 794,432

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

South Carolina Public Service Authority
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
		(Thousands)	
Operating Revenues:			
Sale of electricity	**$ 847,960**	$ 801,837	$ 764,870
Sale of water	**4,217**	3,824	3,705
Other operating revenues	**10,238**	8,505	7,064
Total operating revenues	**862,415**	814,166	775,639
Operating Expenses:			
Electric operation expense:			
Production	**338,244**	301,335	286,075
Purchased and interchanged power	**63,577**	38,959	23,723
Transmission	**10,896**	11,033	10,769
Distribution	**6,598**	6,547	7,023
Customer accounts	**4,361**	4,213	4,107
Sales	**2,330**	2,371	2,018
Administrative and general	**48,957**	50,684	52,602
Electric maintenance expense	**65,143**	63,889	58,894
Water operation expense	**1,116**	1,076	1,068
Water maintenance expense	**293**	264	258
Total operation and maintenance expense	**541,515**	480,371	446,537
Depreciation and amortization	**108,800**	109,718	106,702
Sums in lieu of taxes	**2,490**	2,238	2,134
Total operating expenses	**652,805**	592,327	555,373
Operating Income	**209,610**	221,839	220,266
Other Income:			
Interest income	**28,145**	20,024	16,794
Net increase (decrease) in the fair value of investments	**8,654**	(3,518)	3,154
Other – net	**12,992**	2,695	2,435
Total other income	**49,791**	19,201	22,383
Interest Charges:			
Interest on long-term debt	**127,406**	118,659	118,423
Other	**36,135**	33,752	38,665
Total interest charges	**163,541**	152,411	157,088
Costs to be Recovered from Future Revenue	**(21,043)**	(41,245)	(46,216)
Reinvested Earnings	**$ 74,817**	$ 47,384	$ 39,345

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

South Carolina Public Service Authority

Years Ended December 31, 2000, 1999, and 1998

	2000	1999 (Thousands)	1998
Cash Flows From Operating Activities:			
Operating income	$ **209,610**	$ 221,839	$ 220,266
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	**116,539**	118,617	116,665
Impact of transactions involving associated company	**(43,779)**	(21,586)	(15,531)
Distributions from associated company	**39,367**	22,791	13,263
Advance to associated company	**(1,083)**	0	0
Other income	**101**	228	(33)
Changes in assets and liabilities:			
Accounts receivable, net	**(12,539)**	(15,344)	(15,217)
Inventories	**11,502**	14,059	(6,405)
Prepaid expenses	**236**	(102)	1,032
Other deferred debits	**(11,567)**	(1,293)	(5,049)
Deferred coal contract buy-out costs	**6,976**	6,600	6,300
Accounts payable	**6,059**	19,397	9,403
Other current liabilities	**11,347**	20,649	606
Other noncurrent liabilities	**24,106**	8,353	11,990
Net cash provided by operating activities	**356,875**	394,208	337,290
Cash Flows From Investing Activities:			
Net decrease (increase) in investments	**199,114**	(259,740)	(51,381)
Interest on investments	**30,031**	17,111	16,680
Net cash provided (used) by investing activities	**229,145**	(242,629)	(34,701)
Cash Flows From Noncapital-Related Financing Activities:			
Distribution to the state of South Carolina	**(8,497)**	(7,883)	(7,605)
Water System Grant	**271**	212	0
Net cash used in non-capital financing activities	**(8,226)**	(7,671)	(7,605)
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of bonds	**0**	325,882	127,811
Reacquired debt-retirement (purchase)	**1,071**	(403)	3,272
Net commercial paper (repayments) proceeds	**(38,488)**	(85,998)	214,450
Repayment and refunding of bonds	**(83,520)**	(81,627)	(442,306)
Interest paid on borrowings	**(142,833)**	(127,787)	(142,567)
Construction and betterments of utility plant	**(237,212)**	(170,400)	(68,043)
Debt issuance costs	**(506)**	(5,318)	(5,020)
Other	**(2,763)**	(3,610)	(3,610)
Net cash used in capital and related financing activities	**(504,251)**	(149,261)	(316,013)
Net increase (decrease) in Cash and Cash Equivalents	**73,543**	(5,353)	(21,029)
Cash and Cash Equivalents at the Beginning of the Year	**211,797**	217,150	238,179
Cash and Cash Equivalents at the End of the Year	$ **285,340**	$ 211,797	$ 217,150

		2000	1999	1998
			(Thousands)	
Reconciliation of Cash and Cash Equivalents:				
Cash and investments held by trustee (designated)	$	**318,986**	$ 435,259	$ 218,617
Cash and investments held by trustee		**164,347**	143,983	103,087
Bond funds – current portion		**101,149**	122,158	128,827
Less investments, not considered cash and cash equivalents		**299,142**	489,603	233,381
Cash and Cash Equivalents at the End of the Year	**$**	**285,340**	$ 211,797	$ 217,150

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies:

A - Reporting Entity - The South Carolina Public Service Authority (the Authority), a component unit of the state of South Carolina, was created in 1934 by the state legislature. The Board of Directors is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by commercial paper notes in addition to bonds and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts - The accounting records of the Authority are maintained on an accrual basis in accordance with generally accepted accounting principles (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority's financial statements include the accounts of the Lake Moultrie Regional Water System after elimination of intercompany accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water system. The Authority also complies with policies and practices prescribed by its Board of Directors and to practices common in both industries. As the Board of Directors sets rates, the Authority has historically followed SFAS 71, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Interest is capitalized when funded through borrowings. There was no interest capitalized in 2000, 1999,or 1998. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

D - Depreciation - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.4% for the periods ended December 31, 2000, 1999 and 1998. Amortization of capitalized leases is also included in depreciation expense.

E - Revenue Recognition and Fuel Costs - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers which have not been billed are accrued. Fuel costs are reflected in operating expenses as fuel is consumed.

F - Bond Issuance Costs - Unamortized debt discount, premium, and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

G - Cash and Cash Equivalents - For purposes of the statements of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents.

H - Payment to the State- The distribution to the state of South Carolina is a payment in lieu of taxes and is determined consistent with requirements under the 1949 Indenture. This payment totaled $8.5 million in 2000, $7.9 million in 1999, and $7.6 million in 1998.

I - Deferred Coal Contract Buy-Out Costs - During 1995, the Authority exercised a buy-out option on an existing coal contract in order to take advantage of lower coal costs. The cost of the buy-out, which was approximately $53,000,000, is recorded in deferred debits and included as a component of fuel costs over the remaining life of the former contract. The balance in this account at December 31, 2000 was $18,624,000.

J - Investment in Associated Company - Investment in Associated Company represents an equity investment in a wholesale power marketing venture (the "Venture") formed by the Authority and two unrelated publicly owned electric utilities (collectively the "members") in May 1997. In 1999, a third unrelated entity joined the Venture and in 2000, two more unrelated entities joined. The Authority now has a 21 percent ownership interest in the Venture which provides services to the members and non-members and allocates transaction savings and operating expenses to the members pursuant to a Settlement Agreement. During 2000, the Authority recorded distributions of $39,153,000 from the Venture and recognized $43,779,000 in reductions to power costs partially offset by $1,569,000 in equity losses. The Authority also received $214,000 representing return of a portion of trading capital previously extended due to the entry of additional members. During 1999, the Authority received distributions of $22,291,000 and recognized $21,586,000 in reduction to power costs, partially offset by $740,000 in equity losses, and received $500,000 representing return of a portion of trading capital due to the entry of an additional member. In 1998, the Authority received distributions of $13,263,000 and recognized $15,531,000 in reduction to power costs, partially offset by $171,000 in equity losses. In addition, the Authority provides certain guarantees and has pledged certain collateral to support the transactions of the Venture. The Authority supports the Venture's trading activities in the form of corporate guarantees, letters of credit and/or cash as determined by management in an amount not to exceed $30.3 million. In 2000, TEA's members voted to authorize TEA to engage in natural gas marketing activities on behalf of the members. In 2000, the Authority advanced $1,083,000 to TEA in support of its future gas marketing activities.

K - Impairment of Long-Lived Assets - The Company has adopted Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets be reviewed for impairment whenever events or

changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This statement also imposes stricter criteria for regulatory assets by requiring that such assets be probable of future recovery at each balance sheet date. Upon adoption, and to date, SFAS 121 has had no effect on the Authority's financial position. The Authority will reassess the effect of SFAS No. 121 in the future as competitive factors influence wholesale and retail pricing in the industry.

L - Issued But Not Yet Effective Pronouncements - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities, " which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of Statement No. 133," which delays the original effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends SFAS No. 133. SFAS No. 138 addresses a limited number of issues related to the implementation of SFAS No. 133. The implementation of SFAS No. 133, as amended, is not expected to have a material effect on the Company's financial position or results of operation.

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments." The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. This Statement is effective for the Authority beginning in fiscal year 2001. While adoption of this statement will alter the presentation of financial information, management has determined that there will be no material impact on the Authority's financial position, results of operation or cash flows.

Note 2 – Costs to Be Recovered from Future Revenue:

The Authority's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of deferred gains and losses) and straight-line depreciation on debt financed assets are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

Note 3 – Cash and Investments Held by Trustee (Designated):

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees, and their use is designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities. In 1998, the Authority adopted the provisions of the GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement No. 31 establishes standards of accounting and financial reporting for certain investments in securities and requires that all equity and debt securities be recorded at their fair value with gains and losses in fair value reflected as a component of non-operating income in the statement of reinvested earnings.

As of December 31, 2000 and 1999, the Authority had investments totalling $579,081,000 and $714,399,000, respectively.

As of December 31, 2000, the Authority's investments carried at fair market value included nuclear decommissioning funds of $75,420,000 with related unrealized holding gains of $11,827,000. As of December 31, 1999, decommissioning funds totaled $60,907,000 with related unrealized holding gains of $6,290,000. These unrealized holding gains are reflected in the decommissioning liability and not as a separate component of nonoperating income in the statement of reinvested earnings.

All the Authority's investments with the exception of decommissioning funds are limited to a maturity of ten years or less. For the year ended December 31, 2000, the Authority made investment purchases at cost totalling approximately $26.7 billion and realized proceeds on the sale of investments totalling approximately $26.9 billion. For 1999, purchases at cost and realized proceeds from the sale of investments totalled approximately $21.0 billion.

Investments – Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. government securities, certificates of deposit, and repurchase agreements. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At December 31, 2000, the Authority's repurchase agreements totaled $254,410,000.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

Cash – Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

2000	Investments Category 1	Investments Category 2	Cash Category 1	Cash Category 2	Total Carrying Value	Total Market Value
			(Thousands)			
Cash and Investments Held by Trustee (Designated)						
General Improvement Funds	$ 19,554	$ 1,250	$ 5	$ 0	$ 20,809	$ 20,809
Debt Service Reserve Funds	68,144	0	954	0	69,098	69,098
Other Special Funds	227,040	0	2,037	2	229,079	229,079
Total Cash and Investments Held by Trustee (Designated)	$ 314,738	$ 1,250	$ 2,996	$ 2	$318,986	$ 318,986
Cash and Investments Held by Trustee						
Revenue Fund	78,413	$ 0	$ 14,193	(16,716)	$ 75,890	$ 75,890
Revenue Fund – Water System	244	0	0	0	244	244
Special Reserve Fund	83,100	0	4,926	0	88,026	88,026
Special Reserve Fund – Water	187	0	0	0	187	187
Total Cash and Investments Held by Trustee	$ 161,944	$ 0	$ 19,119	$(16,716)	$164,347	$ 164,347
Bond Funds–Current Portion						
Interest	$ 51,819	$ 0	$ 0	$ 0	$ 51,819	$ 51,819
Bond Principal	49,011	0	0	0	49,011	49,011
Lease	319	0	0	0	319	319
Unclassified Securities	0	0	0	0	0	0
Total Bond Funds–Current Portion	$ 101,149	$ 0	$ 0	$ 0	$101,149	$ 101,149

1999	Investments Category 1	Investments Category 2	Cash Category 1	Cash Category 2	Total Carrying Value	Total Market Value
			(Thousands)			
Cash and Investments Held by Trustee (Designated)						
General Improvement Funds	$ 34,817	$ 850	$ 0	$ 0	$ 35,667	$ 35,667
Debt Service Reserve Funds	68,466	0	54	0	68,520	68,520
Other Special Funds	331,025	0	11	36	331,072	331,072
Total Cash and Investments Held by Trustee (Designated)	$ 434,308	$ 850	$ 65	$ 36	$435,259	$ 435,259
Cash and Investments Held by Trustee						
Revenue Fund	$ 72,225	$ 0	$ 774	$(14,140)	$ 58,859	$ 58,859
Revenue Fund–Water System	431	0	0	0	431	431
Special Reserve Fund	84,283	0	38	229	84,550	84,550
Special Reserve Fund–Water	143	0	0	0	143	143
Total Cash and Investments Held by Trustee	$ 157,082	$ 0	$ 812	$(13,911)	$143,983	$ 143,983
Bond Funds–Current Portion						
Interest	$ 45,273	$ 0	$ 0	$ 0	$ 45,273	$ 45,273
Bond Principal	16,088	0	0	0	16,088	16,088
Lease	344	0	0	0	344	344
Unclassified Securities	0	0	0	0	60,453	60,453
Total Bond Funds-Current Portion	$ 61,705	$ 0	$ 0	$ 0	$122,158	$ 122,158

Note 4 – Long-Term Debt Outstanding:

The Authority's long-term debt at December 31, 2000 and 1999 consisted of the following:

	2000	1999	Interest Rate(s)	Call Price
		(Thousands)		
Electric Revenue Bonds-Priority Obligations:				
(mature through 2006)	**$ 23,815**	$ 27,210	4.1%	100
Capitalized Lease Obligations:				
(mature through 2014)	**29,485**	32,248	N/A	N/A
Revenue Bonds: (mature through 2032)				
1991 Refunding & Improvement Series B	**10,000**	14,205	6.40-7.00	102
1991 Series D	**0**	5,550	5.80	102
1992 Refunding Series A	**135,885**	138,270	5.60-6.375	102
1993 Refunding Series A&B	**368,130**	385,125	4.8-5.60	102
1993 Refunding Series C	**583,515**	587,570	4.30-5.125	102
1995 Refunding Series A	**112,905**	122,530	6.125-6.25	102
1995 Refunding Series B	**168,670**	170,585	5.20-6.50	102
1996 Refunding Series A	**223,690**	226,255	5.75-6.50	102
1996 Refunding Series B	**21,505**	36,290	5.00-5.50	102
1997 Refunding Series A	**210,670**	212,435	4.05-5.125	101
1998 Refunding Series A	**69,875**	85,770	4.00-5.00	Non-callable
1998 Refunding Series B	**26,330**	26,715	4.00-5.25	101
Total Revenue Bonds	**1,931,175**	2,011,300		
Revenue Obligations: (mature through 2022)				
1999 Tax-exempt Series A	**198,320**	198,320	4.80-5.75	101
1999 Taxable Series B	**125,320**	125,320	6.53-7.42	Non-callable
Total Revenue Obligations	**323,640**	323,640		
Current Portion-Long-term Debt	**68,082**	86,283		
Total Long-term Debt - (Net of current portion)	**$ 2,240,033**	$ 2,308,115		

Maturities of long-term debt through 2005 are as follows:

	Priority Obligations	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total
Year Ending December 31,			(Thousands)		
2001	$ 3,545	$ 2,552	$ 61,985	$ 0	$ 68,082
2002	3,705	2,654	61,190	5,000	72,549
2003	3,870	2,762	58,500	24,365	89,497
2004	4,045	2,761	37,085	34,625	78,516
2005	4,230	2,771	37,930	10,215	55,146
Total	$ 19,395	$ 13,500	$ 256,690	$ 74,205	$ 363,790

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately $2.35 billion and $2.64 billion at December 31, 2000 and 1999, respectively.

On September 15, 1999, the Authority's Board of Directors authorized the sale of $323,640,000 Revenue Obligations, 1999 Series A & B Bonds (1999 A & B Bonds). The 1999 Tax-Exempt Series A (1999 A Bonds) totaled $198,320,000. The 1999 Taxable Series B (1999 B Bonds) totaled $125,320,000. The 1999 B Bonds were issued as taxable bonds to comply with Internal Revenue Service Private Use Regulations.

The 1999 A & B Bonds were issued October 12, 1999. The 1999 A & B Bond proceeds will be used primarily for the construction of a 500 MW class combined cycle generating unit and two 150 MW class simple combustion turbine generators at the Rainey Generating Station. Bond proceeds of $55,475,000 were used to retire outstanding Commercial Paper notes issued previously for the Rainey Generating Station.

The 1999 A & B Bonds were sold at an all-in-true interest cost of 6.10% and mature between January 1, 2002 and 2022.

Refunded amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 2000 are as follows:

Refunding Issue	Refunded Bonds		Refunded Amount Outstanding	Original Loss	Unamortized Loss
				(Thousands)	
Cash Defeasance	$ 20,000	of the 1982 Series A	$ —	$ 2,763	$ 1,584
1992 A Refunding	$ 3,370	of the 1985 Refunding Series			
	$ 5,405	of the 1985 A Refunding Series			
	$ 100,010	of the 1986 Refunding Series A			
	$ 22,555	of the 1988 Refunding Series A			
	$ 15,370	of the 1991 Refunding Series B			
	$ 12,085	of the 1991 Series D	27,455	42,188	21,028
1993 A&B Refunding	$ 86,180	of the 1974 Series			
	$ 93,360	of the 1979 Series A			
	$ 4,980	of the 1985 A Refunding Series			
	$ 14,935	of the 1986 Refunding Series A			
	$ 23,675	of the 1986 Refunding Series B			
	$ 135,705	of the 1991 Refunding & Improvement Series B and C	135,705	38,870	37,103
1993 C Refunding	$ 167,660	of the 1977 Refunding Series			
	$ 1,565	of the 1979 Series A			
	$ 900	of the 1985 Refunding Series			
	$ 2,390	of the 1985 A Refunding Series			
	$ 6,365	of the 1986 Refunding Series A			
	$ 14,905	of the 1988 Refunding Series A			
	$ 100,110	of the 1991 Refunding & Improvement Series B and C			
	$ 279,905	of the 1991 Series D	380,015	72,311	59,331
1995 A Refunding	$ 138,505	of the 1988 Refunding Series A	—	20,024	12,941
1995 B Refunding	$ 175,330	of the 1987 Refunding Series A	—	40,758	26,773
1996 A Refunding	$ 257,795	of the 1986 Refunding Series C	—	92,596	65,350
1996 B Refunding	$ 5,925	of the 1986 Refunding Series A			
	$ 5,830	of the 1986 Refunding Series C			
	$ 62,325	of the 1986 Refunding Series D			
	$ 6,940	of the 1987 Refunding Series A			
	$ 4,155	of the 1988 Refunding Series A	—	4,831	2,514
Cash Defeasance	$ 14,080	of the 1992A Series			
	$ 14,955	of the 1996A Series	29,035	4,779	3,072
1997 A Refunding	$ 100,000	of the 1978 Series			
	$ 68,325	of the 1991 Series B			
	$ 37,495	of the 1991 Series D	105,820	16,990	14,696
Commercial Paper	$ 76,050	of the 1973 Series			
	$ 105,605	of the 1977 Series			
	$ 81,420	of the 1978 Series	—	2,099	1,605
1998 B Refunding	$ 25,000	of the 1992 B Series	24,665	1,970	1,698
Total			$ 702,695	$ 340,179	$ 247,695

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements, and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.

2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 2000, the Authority is in compliance with all debt covenants.

Note 5 – Commercial Paper:

The Board of Directors has authorized the issuance of commercial paper not to exceed $500,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2000, 1999, and 1998, the information related to commercial paper was as follows:

	2000	1999	1998
Effective interest rate (at December 31)	**4.35%**	3.76%	3.11%
Average annual amount outstanding ($000)	**$367,991**	$439,055	$424,962
Average maturity	**69 days**	56 days	73 days
Average annual effective interest rate	**4.13%**	2.93%	3.5%

At December 31, 2000 the Authority had a Revolving Credit Agreement with Toronto Dominion (Texas), Inc. for $425,000,000. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2000 or 1999.

Commercial Paper outstanding at December 31, is as follows:

	2000	1999
	(Thousands)	
Commercial Paper-Gross	**$ 331,614**	$ 370,102
Less: Unamortized Discount on Taxable Commercial Paper	**36**	43
Commercial Paper-Net	**$ 331,578**	$ 370,059

Note 6 – Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3% of the net electricity generated. At December 31, 2000 and 1999, the plant accounts included approximately $494,000,000, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For the years ended December 31, 2000, 1999, and 1998, the Authority's operation and maintenance expenses included $45,593,000, $41,801,000, and $44,051,000 respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has an on-site spent fuel storage capability until at least 2006 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through rod consolidation, dry cask storage, or other technology as it becomes available.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2000 and the NRC's imposed minimum requirement. Based on these estimates,the Authority's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately $143,433,000 in 1999 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates.

Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled approximately $75,439,000 (adjusted to market) at December 31, 2000, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of $150,000,000, indexed for inflation, annually for 15 years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the 15 years, the Authority's remaining one-third share of the liability at December 31, 2000 totals $1,407,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the accompanying balance sheets in "Deferred Debits and Other Assets" and "Deferred Credits and Other Noncurrent Liabilities."

Note 7 – Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The remaining lease terms range from 1 to 14 years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service (formerly Rural Electrification Administration) for funds borrowed to construct the above-mentioned facilities. The Authority has

options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases at December 31, 2000 were:

Year ending December 31:	Amount (Thousands)
2001 ....$	3,818
2002	3,818
2003	3,819
2004	3,708
2005	3,603
Thereafter	18,701
Total minimum lease payments	37,467
Less amounts representing interest ...	7,982
Balance at December 31, 2000 ....$	29,485

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2000 totaled $96,556,000 and $73,215,000 respectively and at December 31,1999 totaled $97,341,000 and $71,256,000 respectively.

Operating lease payments, including the operating lease payments for leased coal cars which are reflected in fuel inventory, totaled $5,284,000, $5,665,000, and $6,231,000 during the years ended December 31, 2000, 1999,and 1998 respectively.

Note 8 – Contracts with Electric Power Cooperatives:

Power supply and transmission services are provided to Central Electric Power Cooperative Inc. (Central) in accordance with a power system coordination and integration agreement. In addition, the Authority will be the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

Power supply will be provided to Saluda River Electric Power Cooperative Inc. (Saluda) in accordance with a power sales agreement between Saluda and the Authority beginning January 1, 2001. The Authority will be the sole supplier of Saluda's energy needs excluding energy Saluda receives from its ownership interest in the Catawba Nuclear Station, the Southeastern Power Administration and its own diesel generators.

Note 9 – Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately $261,276,000 during the year ending December 31, 2001 and $391,654,000 during the two years thereafter. These expenditures include $159,507,000 associated with new generating facilities being constructed to begin operations in 2002 and $238,100,000 for future generating facilities. The total cost, including the financing costs, of the new generating facilities to begin operations in 2002 is estimated to be $397,000,000. These budgets also include the remainder due on two gas turbine generators for which an advance deposit has already been made. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations at December 31, 2000 as follows:

Year ending December 31:	Amount (Thousands)
2001	$ 94,654
2002	88,664
2003	24,970
2004	25,219
Total	$ 233,507

The Authority's outstanding minimum obligations under two existing long term purchased power contracts as of December 31, 2000 were approximately $88.5 million and $29 million with remaining terms of 34 and 3 years, respectively. In addition, the Authority has three short term purchased power contracts with minimum obligations of approximately $25 million with terms of one year or less beginning in 2001.

The Authority has commitments for nuclear fuel enrichment and fabrication contracts which are contingent upon the operating requirements of the nuclear unit. As of December 31, 2000, these commitments total approximately $60.2 million over the next 9 years.

The Authority has entered into a long-term service agreement with General Electric International Inc. in the approximate amount of $76,000,000 at the Rainey Generation Station. The contract term is 9 years. The agreement covers initial spare parts, parts and services for specified planned and unplanned maintenance outages and remote monitoring and diagnostics of the turbine generators. The agreement contains certain guarantees pertaining to spare parts, unit availability, performance and NO_X emissions and can be cancelled after the first hot gas path inspection for $3 million for unit one and after the first combustion inspection for $1,250,000 for unit 2.

Risk Management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Policies are subject to deductibles ranging from $1,000 to approximately $850,000 with the exception of named storm losses which carry deductibles up to $3,000,000. Also a $1 million general liability self-insured layer exists between the Authority's primary and excess liability policies.

The Authority is self-insured for auto and dental, and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have been no third-party claims for environmental damages for 2000 or 1999. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Additionally, effective September 1, 1997, the Authority is self-insured for claims of employees for workers' compensation benefits. Prior to September 1, 1997, workers' compensation claims were covered by the State Accident Fund (the Fund). Any work-related incidents or illnesses that have an occurrence or diagnosis date prior to September

1, 1997, are covered under the Fund. As of December 31, 2000, the amount of the workers' compensation self-insured liability was $684,000.

At December 31, 2000, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was $1.9 million. The liability is the Authority's best estimate based on available information. Changes in the reported liability in each of the past two years are as follows:

	2000	1999
	(Thousands)	
Unpaid claims and claim expenses at beginning of year	**$ 2,135**	$ 1,562
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	**1,252**	2,233
Decreases in provision	**(14)**	(28)
Payments for current and prior years	**1,466**	1,632
Total unpaid claims and claim expenses at end of year	**$ 1,907**	$ 2,135

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

1) Claims of covered employees for health benefits (Office of Insurance Services); and
2) Claims of covered employees for long-term disability and group life insurance benefits (Retirement Systems).

Employees elect health coverage through either a health maintenance organization or through the state's self-insured plan. All other coverages listed above are through the applicable state self-insured plan except that additional long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the state's self-insured plan.

Nuclear Insurance – The maximum liability for public claims arising from any nuclear incident has been established at $9.5 billion by the Price-Anderson Indemnification Act. This $9.5 billion would be covered by nuclear liability insurance of about $200 million per site, with potential retrospective assessments of up to $88.1 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $10 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority would be responsible for the maximum assessment of $29.4 million, not to exceed approximately $3.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with Nuclear Electric Insurance Limited (NEIL) $500 million primary and $1.5 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the primary and excess policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed five times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be $1.9 million for the primary policy and $1.5 million for the excess policy.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power.

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

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxides. While the legislation contains a number of new restrictions, the most significant new requirements, relating to acid precipitation, became effective January 1, 2000.

The Clean Air Act Amendments require, among other things, specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating units. These reductions were required in two phases. Phase I compliance was implemented January 1, 1995, while Phase II compliance became effective January 1, 2000. The Authority has purchased sulfur dioxide emission credits and upgraded the sulfur removal capabilities of existing units to meet Phase II sulfur dioxide emission limitations. To meet monitoring requirements of the Clean Air Act, the Authority has installed continuous emissions monitoring equipment at a cost of $5.2 million. The Authority also upgraded the combustion systems on some of its boilers to meet Phase II nitrogen oxide limitations. These efforts commenced in 1998 and were completed in 2000. The Authority expended $8.02 million to complete these combustion upgrades.

In July 2000, the Authority received a request for information from the U.S. Environmental Protection Agency (EPA) pursuant to Section 114 of the Clean Air Act. The request is part of the EPA's ongoing enforcement initiative involving the power generating sector, with particular emphasis on coal-fired units. The Authority has responded to the request for information and expects to engage in discussions with EPA about its compliance status. Management cannot determine the impact of this request at this time.

The Environmental Protection Agency (EPA) has finalized regulations related to ozone transport for 22 eastern states including South Carolina. While these regulations (known as the "SIP call") are now in litigation, potential costs to the Authority could exceed $266 million in capital expenditures by 2004. Annual recurring costs could exceed $10 million.

Safe Drinking Water Act - The Safe Drinking Water Act (SDWA) was reauthorized during 1996. The Authority continues to stay abreast of proposed regulatory changes as they are developed.

Clean Water Act - The Congress is due to consider reauthorization of the Clean Water Act (CWA). The complex act could generate regulatory changes that could impact the power generation sector. The Authority will be monitoring for CWA regulatory issues impacting electrical utilities.

Open Access Transmission Tariff - In 1997, FERC adopted an order approving the Authority's transmission rates, ancillary charges, and non-rate terms and conditions.

The Authority is participating in the VACAR Open Access

Same-Time Information System (OASIS) via the Internet and has implemented and filed with FERC procedures for implementation of non-discriminatory standards of conduct.

Competition - The electric industry has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. As utilities move from a regulated environment where rates are based on cost of service to a deregulated environment where rates are based on market forces, there may be costs that cannot be recovered by charging the market rate. Some deregulation measures proposed to date allow for recovery of some portion of these costs but ultimate regulatory treatment of such costs cannot be predicted.

The Authority has developed and is implementing a long-term strategic plan to position the Authority to compete effectively in the changing competitive environment. Consistent with the plan, the Authority is implementing initiatives to reduce outstanding debt, achieve more financial flexibility, reduce operating, maintenance and capital costs, increase revenue, retain customers, and strengthen employee performance and accountability.

While the Authority is taking these and other actions to prepare for a deregulated market, the Authority cannot predict what effects increased competition will have on the operations and financial condition of the Authority.

Legal Matters - The Company is a party in various claims and lawsuits that arise in the conduct of its business and, in the opinion of management, are not expected to have a material adverse effect on the financial position or results of operation of the Company.

Contract Dispute with Central - Central, under the terms of the contract with the Authority, has the right to audit costs billed to them under the cost of service contract. There are currently outstanding a number of audit issues regarding the years 1994 through 1998. With regard to the Central audit disputes known to date, the Authority does not expect the outcome of these matters to have a materially adverse effect on the Authority's financial position, results of operations or cash flows.

Note 10 – Retirement Plan:

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (System), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws. The payroll for employees covered by the System for each of the years ended December 31,2000, 1999 and 1998 was $82,216,000, $78,903,000 and $77,091,000 respectively.

Vested employees who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55. The System also provides death and disability benefits. Benefits are established by state statute.

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

Employees are required by state statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for each of the years ended December 31,2000, 1999,and 1998 was $6,230,000, $6,021,000, and $5,837,000, respectively, from the Authority and $4,945,000, $4,746,000, and $4,625,000, respectively from employees.

The Authority made 100% of the required contributions for each of the years ended December 31, 2000, 1999, and 1998.

The System issues a stand alone financial report that includes all required supplementary information. The report may be obtained by writing to:

South Carolina Retirement System
Fontaine Business Center
202 Arbor Lake Drive
Columbia, S.C. 29223

The Authority also provides compensation benefits to certain employees designated by management and the board of directors under the Supplemental Executive Retirement Plan (SERP). The cost of these benefits is accrued on an actuarially determined basis. The accrued liability at December 31, 2000 and 1999 was $6,197,000 and $5,812,000 respectively.

Note 11 – Other Postretirement Benefits:

The Authority provides certain health, dental, and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 28 years of service or at age 60 with at least 20 years of service. Currently, approximately 381 retirees meet these requirements. The cost of the health, dental, and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 2000, 1999, and 1998, these costs totaled $1,149,000, $987,000, and $781,000 respectively.

During their first ten years of service, full-time employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day of vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year-end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. Prior to 1995, these costs were carried in a deferred debit and liability account. However, in 1995, the Authority changed its accounting policy and began amortizing the balance over a five-year period. The remaining unamortized balance at December 31, 1998, was $1,800,000. As of December 31, 1999, these costs have been completely amortized. Effective January 1, 1995, the Authority began recognizing these costs as expenses in the period incurred.

Note 12 – Credit Risk and Major Customers:

Concentrations of credit risk with respect to the Authority's receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, 2000, 1999, and 1998 were as follows:

	2000	1999	1998
		(Thousands)	
Central	**$ 379,000**	$370,000	$354,000
Alumax of South Carolina	**$ 89,000**	$ 92,000	$ 87,000

No other customer accounted for more than 10 percent of the Authority's sales for any of the years ended December 31, 2000, 1999, or 1998.

The Finance-Audit Committee of the Board of Directors is composed of five independent directors: Leon S. Goodall, chairman; Laura B. Fleming; Frances B. Gilbert; Willie E. Givens Jr.; and Merl F. Code. The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Periodic financial statements and reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The Committee discussed the Company's financial statements and the adequacy of its system of internal controls.

The Committee met with the independent public accountants and with the General Auditor, without management present, to discuss the results of the examination, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

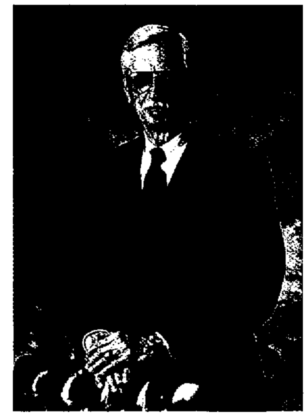
Leon S Goodall

Leon S. Goodall, Chairman
Finance-Audit Committee

Alec B. McLeod Jr.
Chairman
Isle of Palms, S.C.

Leon S. Goodall
First Vice Chairman
Represents 2nd Congressional District
Columbia, S.C.

J. Calhoun Land IV
Second Vice Chairman
Represents 6th Congressional District
Manning, S.C.



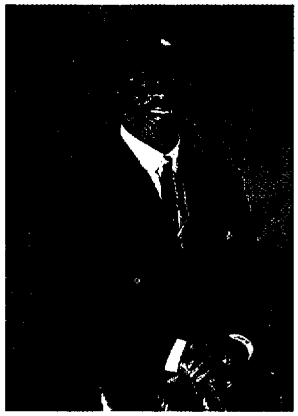
Patrick T. Allen
Represents the electric cooperatives of South Carolina
Columbia, S.C.

Rev. Willie E. Givens Jr.
Represents 1st Congressional District
Charleston, S.C.

Joseph J. Turner
Represents 3rd Congressional District
Clemson, S.C.

J. Mike Wooten
Represents Georgetown County
Murrells Inlet, S.C.

Julius Barnes
Represents Berkeley County
St. Stephen, S.C.



Merl F. Code
Represents 4th Congressional District
Greenville, S.C.

Laura B. Fleming
Represents 5th Congressional District
Lancaster, S.C.

Frances B. Gilbert
Represents Horry County
Conway, S.C.

CHANGES IN THE BOARD

On July 1, 2000, Alec B. McLeod replaced John S. Rainey as chairman of the board of directors. Rainey served on the board for 13 years with 10 of those years as chairman.

Patrick T. Allen replaced Lewis L. Harrison in September 2000. Harrison served on the board for two years.

Julius Barnes replaced John D. Trout in June 2000. Trout served on the board for seven years.

Merl F. Code replaced J. Mac Walters in June 2000. Walters served on the board for almost seven years.

Laura B. Fleming replaced Larry L. Bigham in September 2000. Bigham served on the board for five years.

Rev. Willie E. Givens Jr. replaced Alec B. McLeod in September 2000.

Joseph J. Turner replaced Claude V. Marchbanks in September 2000. Marchbanks served on the board for four years.

J. Mike Wooten replaced J. Joe Young in September 2000. Young served on the board for 13 years.

ADVISORY BOARD

James H. Hodges
Governor

Charles M. Condon
Attorney General

Grady L. Patterson Jr.
State Treasurer

James M. Miles
Secretary of State

James A. Lander
Comptroller General

MANAGEMENT

President and Chief Executive Officer	John H. Tiencken Jr.
Executive Vice President and Chief Operating Officer	Bill McCall
Executive Vice President and Chief Financial Officer	Emily S. Brown
Executive Vice President and Chief Legal Officer	John S. West
Senior Vice Presidents:	
Customer Service	Lonnie N. Carter
Generation	Maxie C. Chaplin
Delivery	Terry L. Blackwell
Community Development and Corporate Communications	Ben Cole
Vice Presidents:	
Marketing and Retail Services	Zack W. Dusenbury
Human Resources Management	Ronald H. Holmes
Engineering and Construction Services	Byron C. Rodgers Jr.
Fossil and Hydro Generation	R. M. Singletary
Corporate Communications	Jerry L. Stafford
Delivery Planning	William R. Sutton
Controller	Elaine G. Peterson
Treasurer	H. Roderick Murchison
Corporate Secretary	W. Glen Brown Jr.

As of December 31, 2000
(In Thousands)

Call Date	July 1, 2001		July 1, 2001		July 1, 2002		July 1, 2002	
Series	1991-B&C REF		1991-D		1991-D		1992-B	
Original Maturity July 1	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount
2001	6.60	15,370	5.90	5,870			5.30	360
2002					6.00	6,215	5 1/2	380
2003							5.60	405
2004							5.70	435
2005							5.80	460
2006					6.40	6,590	5.90	490
2007	7.00	4,025					5.90	525
2008							6.00	555
2009	7.00	8,915*					6.00	595
2010							6.00	630
2011					6 1/2	7,010*	6.00	670
2012	7.00	25,610*			6 1/2	7,470*	6.00	715
2013					6 1/2	7,955*	6.00	765
2014					6 1/2	8,470*	6.00	810
2015							6.10	865*
2016							6.10	920*
2017							6.10	980*
2018							6.10	1,045*
2019							6.10	1,115*
2020							6.10	1,185*
2021	7.10	135,705*					6.10	1,260*
2022							6.10	1,345*
2023							6.10	1,430*
2024					6 1/2	130,275*	6.10	1,525*
2025							6.10	1,625*
2026	6 1/2	61,560*					6.10	1,730*
2027	6.00	12,120*					6.10	1,845*
2028	6.00	12,850*						
2029	6.00	13,620*						
2030	6.00	14,435*						
2031	6.00	15,300*			6 5/8	149,630*		
2032								
Totals per Series	319,510			329,485			24,665	
Totals per Call Date	325,380				348,280			

*Term Bonds

(For Footnotes See "Schedule of Bonds Outstanding")

As of December 31, 2000 (In Thousands)

Maturity Date July 1	1967 Series Int. Rate	1967 Series Amt.	REVENUE BONDS: 1991 A,B&C Refunding & Improvement Series Int. Rate	Amt.	1992 A Refunding Series Int. Rate	Amt.	1993 A&B Refunding Series Int. Rate	Amt.	1993 C Refunding Series (2) Int. Rate	Amt.	1995 A Refunding Series (2) Int. Rate	Amt.	1995 B Refunding Series (2) Int. Rate	Amt	1996 A Refunding Series(2) Int. Rate	Amt
2001	4.10	3,545 *			5.70	22,505	5.00	6,990	4.40	455	6 1/4	6,005	5.30	2,015		
2002	4.10	3,705 *	6.70	6,240			5.00	9,810	4 1/2	3,625	6 1/4	5,700	5.35	4,260	6 1/4	1,450
2003	4.10	3,870 *			6.00	5,940	5.20	6,280	4 1/2	12,030	6 1/4	7,890	5.40	3,410	6 1/4	1,645
2004	4.10	4,045 *					5.20	10,115	4 1/2	12,590			6 1/2	10,160	6 1/4	3,565
2005	4.10	4,230 *			6.20	6,290	5.30	7,080	4 5/8	6,440			6 1/2	10,765	6 1/4	4,645
2006	4.10	4,420 *	7.00	3,760			5.40	10,400 (3)	4 3/4	13,310			6 1/2	10,350		
2007					6.20	7,100	5 1/2	8,410	4 7/8	11,755						
2008					6.20	7,540	5 1/2	10,920	5.00	18,230	6 1/8	815 *	5.70	3,255	6 1/2	3,730
2009					6 3/8	8,005 *	5 1/2	9,765	5.00	1,470					5 3/4	1,035 *
2010					6 3/8	8,515 *	5 1/2	11,480	5.10	19,210 (4)	6 1/8	860 *	5.80	3,485	5 3/4	15,170 *
2011					6 3/8	10,835 *	5 1/2	11,240	5.10	16,740 *	6 1/8	915 *	5.80	3,705	5 3/4	6,165 *
2012					6 3/8	11,520 *	5.60	12,100 (3)	5.00	19,040 *	6 1/8	970 *	5 7/8	3,940	5 3/4	5,615 *
2013					6 3/8	12,265 *	5.60	29,300 (3)	5.00	16,645 *	6 1/8	1,025 *	5 7/8	4,180	5 3/4	5,925 *
2014					6 3/8	1,935 *	5 1/2	38,255 *	5.00	9,255 *	6 1/8	4,460 *	5 7/8	4,430	5 3/4	6,530 *
2015					6 3/8	2,055 *	5 1/2	18,905 *	5.00	15,825 *	6 1/4	8,275 *	5 7/8	4,705	5 3/4	7,005 *
2016					6 3/8	2,275 *	5 1/2	19,880 *	5.00	23,265 *	6 1/4	4,670 *	5 7/8	5,000 *	5 3/4	13,075 *
2017					6 3/8	2,400 *	5 1/2	20,920 *	5.00	19,045 *	6 1/4	680 *	5 7/8	5,320 *	5 3/4	19,650 *
2018					6 3/8	2,570 *	5 1/2	22,000 *	5.00	14,055 *	6 1/4	720 *	5 7/8	5,685 *	5 3/4	20,735 *
2019					6 3/8	9,570 *	5 1/2	43,270 *	5 1/8	18,555 *	6 1/4	10,400 *	5 7/8	6,085 *	5 3/4	21,875 *
2020					6 3/8	7,695 *	5 1/2	42,015 *	5 1/8	23,880 *	6 1/4	23,100 *	5 7/8	6,515 *	5 3/4	23,155 *
2021					6 3/8	6,870 *	5 1/2	18,995 *	5 1/8	27,120 *	6 1/4	24,915 *	5 7/8	6,970 *	5 3/4	38,535 *
2022									5.00	29,460 *	6 1/4	11,505 *	5 7/8	34,165 *	5 3/4	24,185 *
2023									5.00	28,595 *			5 7/8	30,270 *		
2024									5.00	28,165 *						
2025									5.00	29,575 *						
2026									5 1/8	31,055 *						
2027									5 1/8	26,585 *						
2028									5 1/8	21,890 *						
2029									5 1/8	23,010 *						
2030									5 1/8	24,185 *						
2031									5 1/8	25,425 *						
2032									5 1/8	13,030 *						
Add: Total Outstanding As of 12/31/00		23,815		10,000		135,885		368,130		583,515		112,905		168,670		223,690
Bonds Redeemed As of 12/31/00		27,785		40,900		18,580		16,995		47,845		26,780		8,405		28,400
Bonds Refunded As of 12/31/00		0		319,510		14,080 (6)		0		0		0		0		14,955 (6)
Net: Original Issue Amt.		51,600		370,410		168,545		385,125		631,360		139,685		177,075		267,045

Footnotes
* Term Bonds

(1) Rounding may cause small variances.

(2) Maturities are on January 1 instead on July 1.

(3) These are floating auction tax-exempt ("FLOATs") and residual interest tax-exempt ("RITES") bonds which have a semiannual bond equivalent yield of 5.40% per annum on those maturing 6/30/06 and 5.60% per annum on those with a final maturity of 6/28/13.

(4) $10,210,000 are serial bonds and $9,000,000 are term bonds.

(5) Included in year that payment is made.

REVENUE OBLIGATIONS

1996 B Refunding Series (2) Int. Rate	Amt.	1997 A Refunding Series (2) Int. Rate	Amt.	1998 A Refunding Series (2) Int. Rate	Amt.	1998 B Refunding Series (2) Int. Rate	Amt.	1999 A Tax-Exempt Series (2) Int. Rate	Amt.	1999 B Taxable Series (2) Int. Rate	Amt.	Total Principal Maturities (5)	Total Revenue Interest (5)	Total Debt Service (5)
		5.00	1,835	4 1/2	21,610	4.00	570					65,530	124,990	190,520
		5.00	1,925	5.00	27,585	4.00	595			6.53	5,000	69,895	120,813	190,708
				5.00	20,680	4.00	625	5.00	5,360	6.68	19,005	86,735	116,735	203,470
						4 1/8	655	5 3/8	5,670	6.85	28,955	75,755	111,779	187,534
		5.00	2,025			4 1/4	685	5.00	5,990	6.97	4,225	52,375	108,472	160,847
						4.40	715	5 3/8	6,335	7.07	4,455	53,745	105,258	159,003
						4 1/2	750	4.80	6,695	7.12	4,705	39,415	102,867	142,282
						4 1/2	785	5.50	7,070	7.17	4,980	57,325	100,033	157,358
						4 1/2	825	5.50	7,480	7.22	5,270	33,850	97,399	131,249
		4 7/8	2,505			4.70	865	5.50	7,940	7.27	5,590 *	75,620	94,534	170,154
		4.90	9,780			4 3/4	905	5.50	18,325	7.27	38,390 *	117,000	88,684	205,684
		5.00	15,040			5 1/4	955 *	5 5/8	10,910	7.32	1,465	81,555	83,143	164,698
		5.00	15,815			5 1/4	1,010 *	5 5/8	11,540	7.37	1,580	99,285	78,446	177,731
		5.00	16,630			5.00	1,065 *	5 3/4	12,220	7.42	1,700	96,480	73,038	169,518
		5.00	12,980			5.00	1,120 *	5 3/4	12,940			83,810	67,549	151,359
		5.00	9,095 *			5.00	1,180 *	5.50	13,690			92,130	62,776	154,906
		5.00	9,485 *			5.00	1,245 *	5.50	14,470			93,215	57,770	150,985
		5.00	22,410 *			5.00	1,310 *	5.50	9,230			98,715	52,597	151,312
		5.00	17,755 *			5.00	1,380 *	5.50	9,755			138,645	46,885	185,530
		5.00	380 *			5.00	1,455 *	5.50	10,305 *			138,500	39,020	177,520
		5.00	400 *			5.00	1,530 *	5.50	10,890 *			136,225	30,565	166,790
5 1/2	11,435*	5.00	420 *			5.00	1,615 *	5.50	11,505 *			124,290	22,471	146,761
5 1/2	10,070*	5.00	440 *			5.00	1,700 *					71,075	17,060	88,135
		5.00	465 *			5.00	1,790 *					30,420	14,365	44,785
		5.00	485 *			5.00	1,000 *					31,060	12,828	43,888
		5.00	510 *									31,565	11,243	42,808
		5.00	6,595 *									33,180	9,589	42,769
		5.00	12,985 *									34,875	7,857	42,732
		5.00	13,635 *									36,645	6,041	42,686
		5 1/8	14,315 *									38,500	4,124	42,624
		5 1/8	15,050 *									40,475	2,100	42,575
		5 1/8	7,710 *									20,740	531	21,271
	21,505		210,670		69,875		26,330		198,320		125,320	2,278,630	1,871,562	4,150,192
	61,965		3,885		31,010		485		0		0	313,035		
	0		0		0		0		0		0	348,545		
	83,470		214,555		100,885		26,815		198,320		125,320	2,940,210		

(6) Cash defeased to maturity, \$14,080,000 of the 1992A Refunding Bonds due 7/1/02 and 7/1/06 and \$14,955,000 of the 1996A Refunding Bonds due 1/1/01, 1/1/02 and 1/1/06.

Bonds are subject to the original call provisions as stated in each official statement.

(For Details on Calls See "Schedule of Refunded and Defeased Bonds Outstanding.")

Conway
100 Elm Street
Conway, SC 29526
(843) 248-5755

Garden City
900 Inlet Square Drive
Murrells Inlet, SC 29576
(843) 651-1598

Loris
3701 Walnut Street
Loris, SC 29569
(843) 756-5541

Moncks Corner
One Riverwood Drive
Moncks Corner, SC 29461
(843) 761-4060

Myrtle Beach
1703 Oak Street
Myrtle Beach, SC 29577
(843) 448-2411

North Myrtle Beach
1000 2nd Avenue North
North Myrtle Beach, SC 29582
(843) 249-3505

Pawleys Island
126 Tiller Drive
Pawleys Island, SC 29585
(843) 237-9222

St. Stephen
Church and Main Street
St. Stephen, SC 29479
(843) 567-3346

Santee Cooper®

www.santeecooper.com

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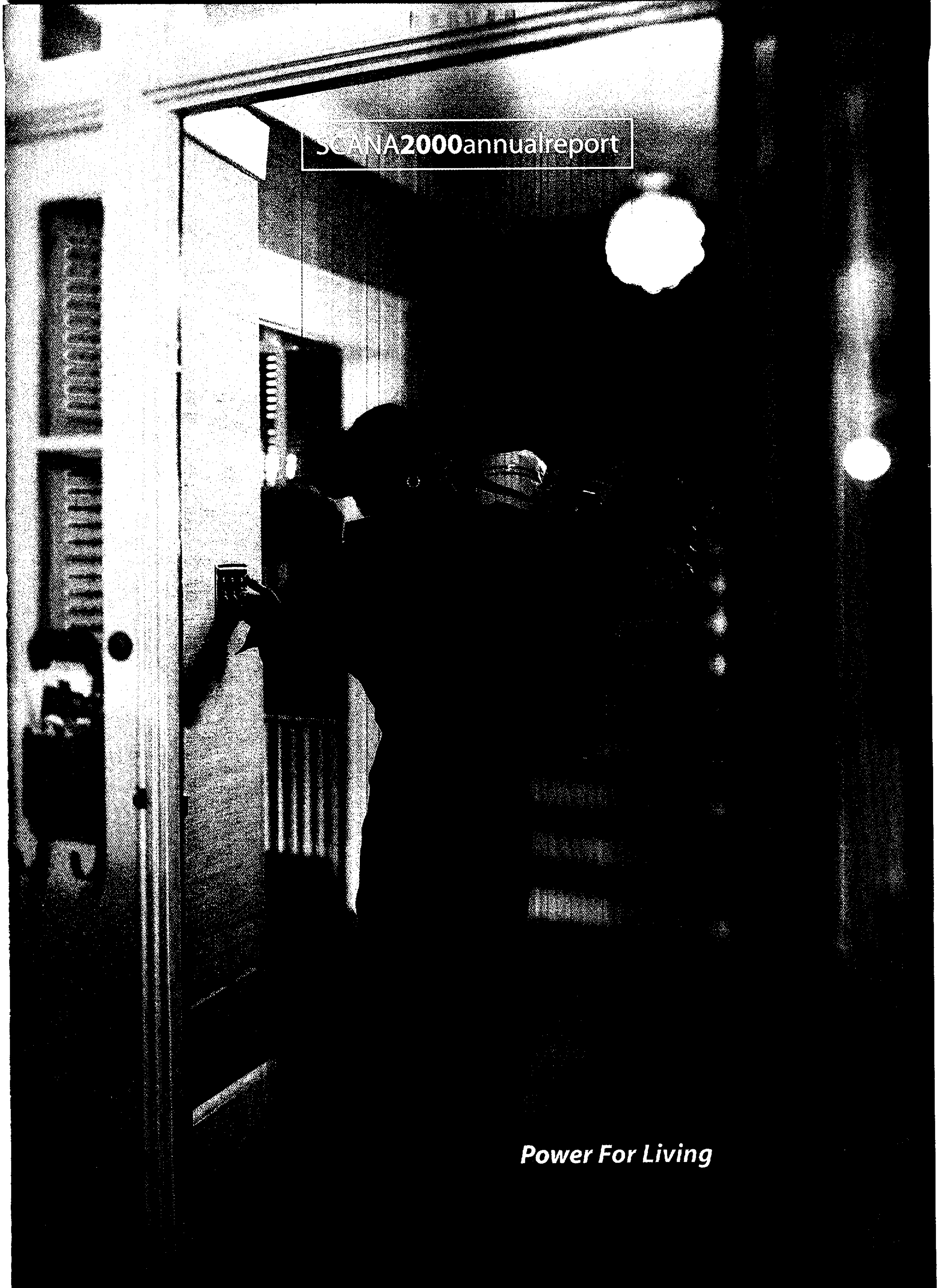

SCANA2000annualreport
Power For Living

Financial Highlights In millions, except earnings per share

SCANA®
POWER FOR LIVING

Year Ending December, 31	1996	1997	1998	1999	2000
Operating Revenue (in millions)	$1,510	$1,725	$2,106	$2,078	$3,433
Net Income (in millions)	$215	$221	$223	$179	$250
Earnings Per Weighted Average Share of Common Stock (basic and diluted)	$2.05	$2.06	$2.12	$1.73	$2.40
Book Value Per Share	$15.86	$16.66	$16.86	$20.26	$19.40
Return on Common Equity (Year-End)	12.8%	12.3%	12.8%	8.5%	12.3%
Total assets (in millions)	$4,759	$4,932	$5,281	$6,011	$7,420

the strength of any company comes from its people

At SCANA, we believe it's our exceptional, hardworking employees who are helping us grow a company with an exceptional record. People who understand the value of serving their communities. Of achieving success. The value of communicating openly and honestly. Of respecting diversity and caring for each other. Of excelling in customer service and doing what is right. Our employees are committed to these values, and that's what makes SCANA exceptional. In generating and distributing electricity to more than 537,000 South Carolina households and businesses. In delivering natural gas to nearly 1.1 million customers in North Carolina, South Carolina and Georgia. In providing fiber optic telecommunications services, and investing in profitable telecommunications ventures. SCANA is a $7.4 billion energy-based holding company whose businesses are focused on providing exceptional customer service while enhancing shareholder value.

***S**ervice. **C**ollaboration. **A**gility. **N**etworking. **A**ccountability.* These are the strengths that characterize the people at SCANA as we strive to fulfill our mission of providing energy and related products successfully to retail markets in the Southeast.

Fellow Shareholders

I am pleased to present you with SCANA's Annual Report for the year 2000. We experienced a very successful year both financially and operationally, and we are excited about what the future holds for our Company. Our strategic direction has been successful and profitable, providing energy and related products and services to growing retail markets in the Southeast.

Financially, we reported earnings of $250 million in 2000, or $2.40 per common share, up from $179 million, or $1.73 per share, in 1999. The primary contributors to the increase in 2000 earnings were the elimination of the 1999 startup loss of 45 cents per share in our Georgia retail natural gas operations and an overall increase in electricity and natural gas sales. 2000 results also include a one-time, non-cash gain of 28 cents per share to recognize a change in the accounting methodology used to record unbilled revenues, and a one-time charge of 4 cents per share associated with repairs to a weld in a pipe at the Company's V. C. Summer Nuclear Station. Earnings reported for 1999 included nonrecurring gains of 5 cents per share related to the sale of telecommunications towers and 29 cents per share related to the sale of the Company's retail propane assets. After considering these one time items, earnings from normal operations were $2.16 per share, a 17% increase compared to earnings of $1.84 per share in 1999.

"We proved we can compete and excel in the deregulated retail natural gas marketplace in Georgia while continuing to provide reliable, low-cost energy in our regulated markets in the economically strong Carolinas."

Overall revenues increased by 64 percent to $3.4 billion, and our assets increased from $6 billion to more than $7.4 billion with the acquisition of Public Service Company of North Carolina, now PSNC Energy. We are completing the integration of PSNC Energy into SCANA. The impact of this merger on 2000 earnings was slightly dilutive, their operations produced positive cash flow for the year and their customer growth was about twice the national average at 4.5%.

In Georgia, we earned 4 cents per share in 2000, a remarkable improvement just one year after start-up. This turnaround reflects our team's ability to act quickly and decisively during some of the most chaotic times in the natural gas business in the past 30 years.

During the winter heating season from November through January the weather in our service territory was 45% colder than last year. At

C-1

the same time the cost of gas we purchased for our customers quadrupled. The record breaking temperatures combined with soaring increases in the cost of natural gas resulted in high energy bills for our gas customers. Over the past year we requested and received regulatory approval to implement retail price increases in North and South Carolina in response to the unprecedented increases in the wholesale price of gas during that same period. These increases recovered only the increased commodity cost of gas and did not include any additional margin. We also implemented a series of price increases in our nonregulated natural gas market in Georgia, but those increases were in line with increases by other marketers. We worked to help our customers through this unusual time by substantially increasing our support of weatherization and deferred payment programs, and by providing additional community assistance. We continue to focus on delivering high levels of customer service while doing all we can to keep our prices competitive.

On October 7, 2000, we shut down the V. C. Summer Nuclear Station for a routine refueling and maintenance outage. During an initial inspection phase, plant personnel discovered indications of a small leak in a weld in the reactor coolant system. A section of piping, including the entire weld, was removed and replaced with a new piece of pipe. While this repair took longer than initially expected, our nuclear management team demonstrated their excellence by methodically determining the cause and making the repairs. Even though this leak was unexpected and caused some delay in restarting the plant, I am pleased with the accountability displayed by our team in recognizing the problem and correcting it. The personnel at Summer Station again have demonstrated their professionalism and commitment to safe operation of the plant. These attributes are the reason our plant continues to receive the highest marks from the industry for its operating performance.

Much of the attention in the electric industry lately has focused on California as it struggles with shortages of electric supplies because of inadequate planning for generation. The situation is vastly different in South Carolina. Our regulatory climate is one that supports a strong economy and ensures protection for consumers. We are proud of our record of maintaining adequate reserve margins to meet our

customers' needs. Our generating plants continue to operate economically and efficiently. We are planning for and adding new electric generation, with an additional 300 megawatts coming on line in 2002. We expect to expand capacity even more in the near future.

SCANA's total return to shareholders in 2000 was approximately 15 percent. That compares favorably to the Standard & Poor's Index of 500 common stocks, although it was behind the average return provided by the Standard & Poor's Utility Index. Forbes selected SCANA as one of only 16 energy distribution companies in the country in its 2001 Platinum 400. The companies included in the Platinum 400 list were identified as industry leaders in long- and short-term return on capital, growth in sales and earnings and other financial measures. While we are gratified to be included on the Platinum 400 list, we are not satisfied with our stock price performance.

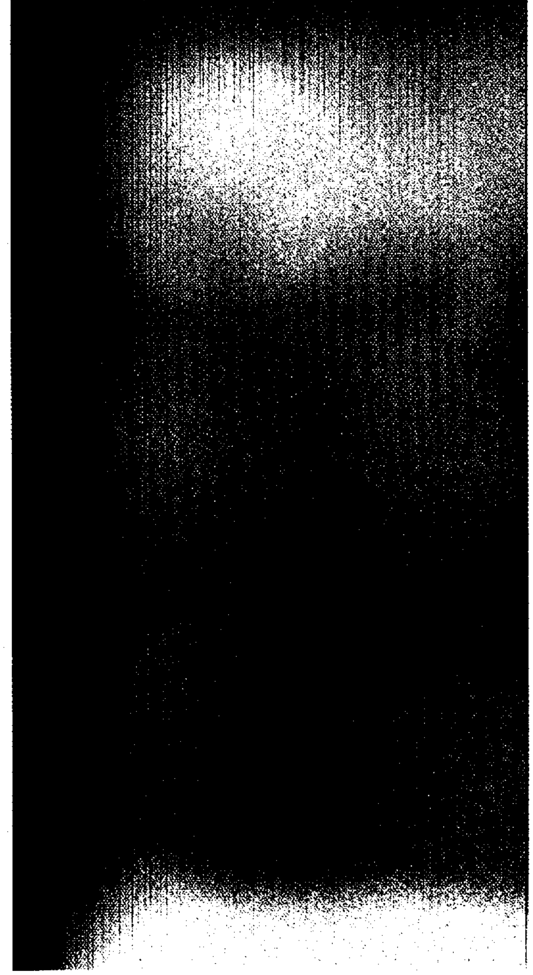
While no one can predict the future, we believe that our sound financial and operational fundamentals and our planned monetization of our Powertel investment, upon successful completion of their merger with either Deutsche Telekom or VoiceStream, will be a catalyst for growth and create long-term value for our shareholders. That includes SCANA employees who own 12 percent of the outstanding shares of common stock and work tirelessly to add value to their investment and yours.

In the following pages we highlight the people and the attributes that define SCANA. We focus on service, collaboration, agility, networking and accountability, qualities that have served us well in the past, and will allow us to be successful in the years to come.

Respectfully submitted,

W. B. Timmerman
Chairman, President and CEO
February 22, 2001

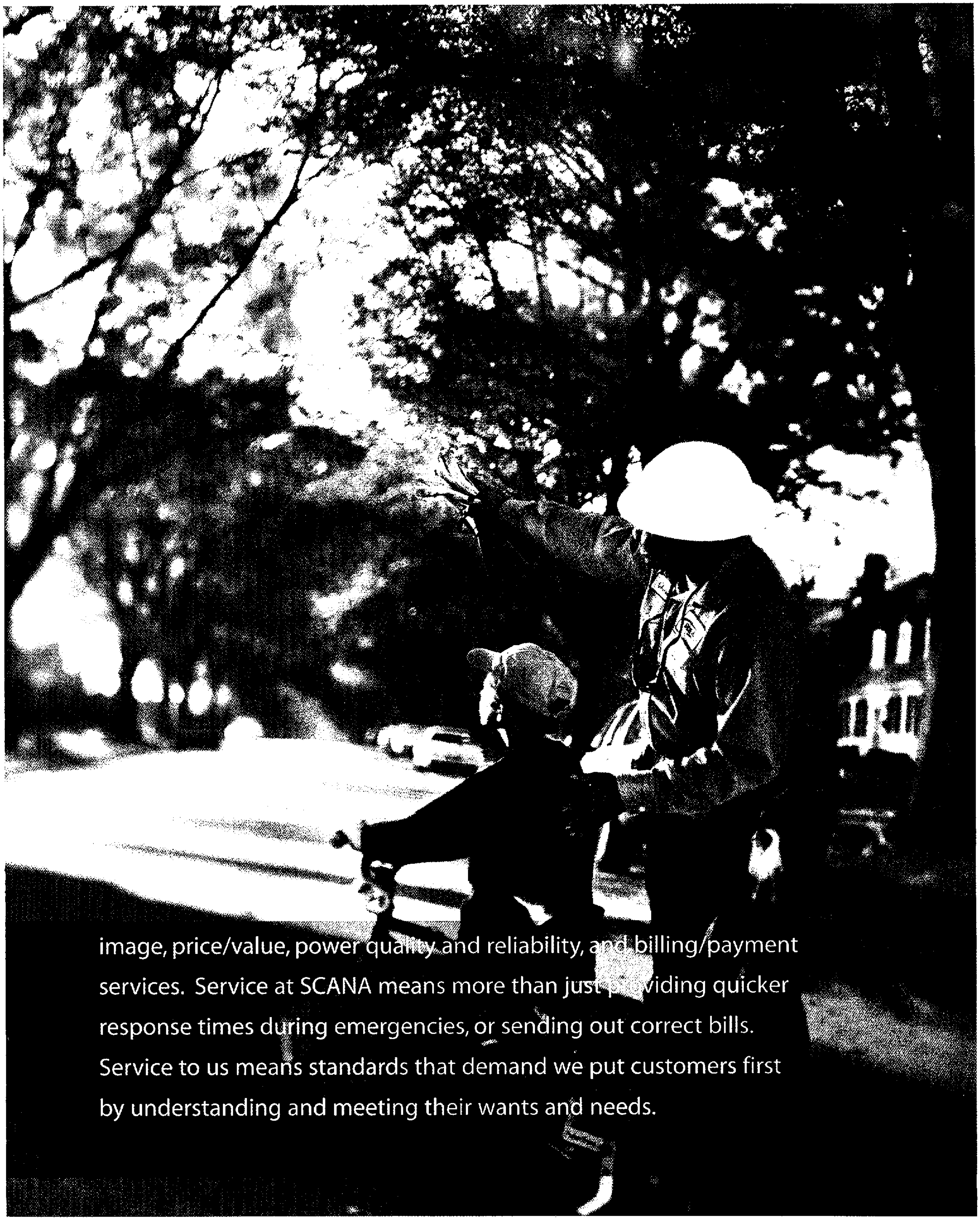
"FORBES SELECTED SCANA AS ONE OF ONLY 16 ENERGY DISTRIBUTION COMPANIES IN THE COUNTRY IN ITS 2001 PLATINUM 400."



ervice...

means always putting the customer first. Nowhere is that more evident than in our award-winning customer service operations, which continue to receive national recognition. SCANA's electric business received the highest customer satisfaction marks of any investor-owned utility in the South for the second consecutive year in 2000, according to the latest J. D. Power and Associates survey. The national study measured such factors as company

SERVICE TO US MEANS STANDARDS THAT DEMAND WE PUT CUSTOMERS FIRST BY UNDERSTANDING AND MEETING THEIR WANTS AND NEEDS.



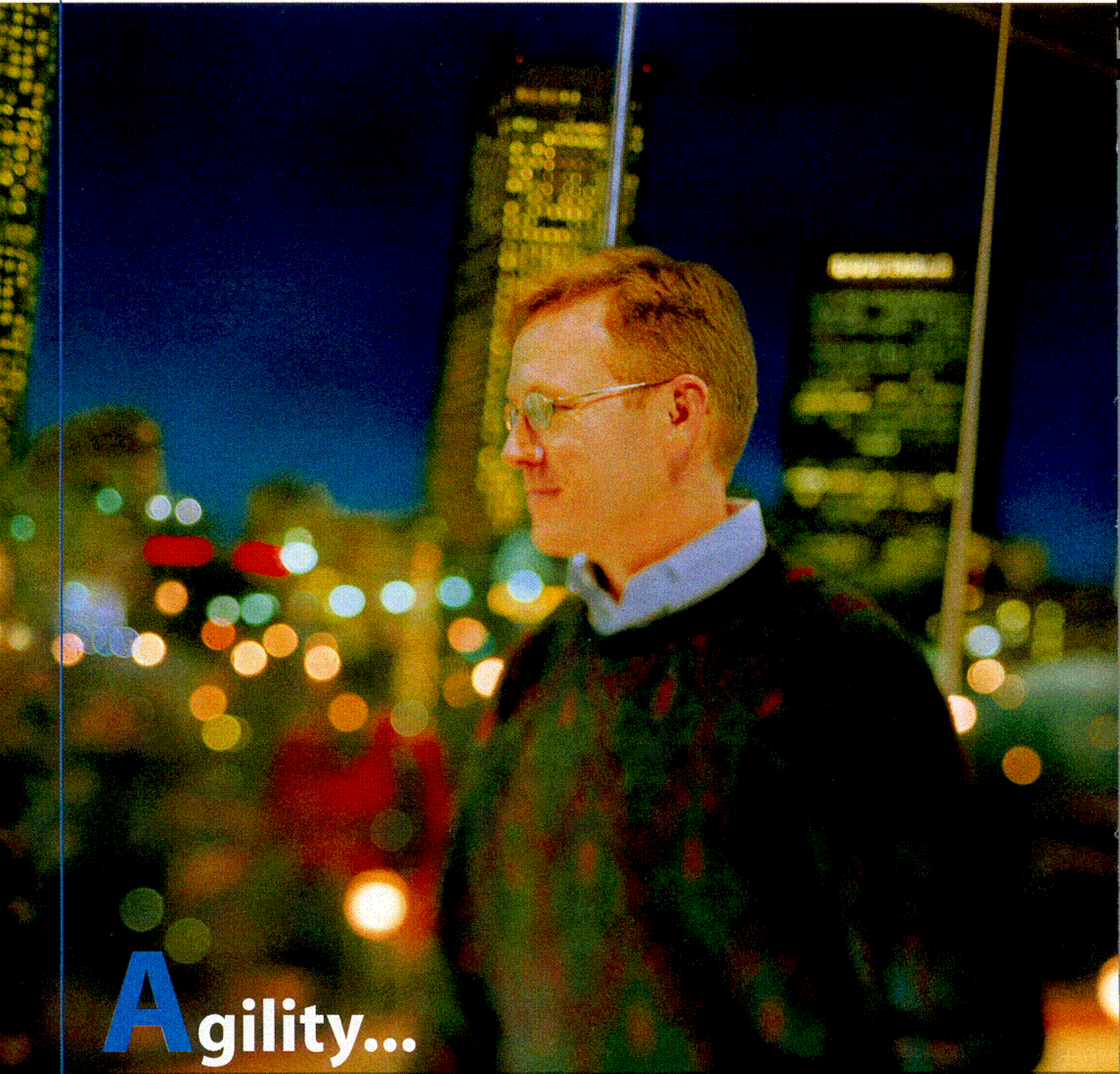
image, price/value, power quality and reliability, and billing/payment services. Service at SCANA means more than just providing quicker response times during emergencies, or sending out correct bills. Service to us means standards that demand we put customers first by understanding and meeting their wants and needs.

Collaboration...

means relying on the strengths of many. That's especially true in the case of our Customer Service Phone Support Services team, which was recognized with a prestigious U.S. Grand Prix 2000 Customer Service Award. These awards are presented annually to companies worldwide by Teleperformance, an international customer relationship consultant. We received the Public Services Division award, presented annually to the top utility in the United States. Our Call Center employees were evaluated on

COLLABORATION TO US MEANS MAKING SURE THAT EVERY CUSTOMER IS TREATED WITH WARMTH, RESPECT AND GENUINE CONCERN.

total response time, greeting, warmth of welcome, product knowledge, quality of listening, conclusion to a call and overall attitude and efficiency. Collaboration at SCANA means more than simply solving a customer's problem. Collaboration to us means making sure that all of our people are on the same page so that customers, no matter whom they talk to, are treated with the same degree of warmth, respect and genuine concern.



Agility...

means moving quickly to create and capture opportunities. That's what we did in 1998 when Georgia became the first state to deregulate its retail natural gas market. We captured and have maintained approximately 30 percent market share, or nearly 435,000 customers, by having the agility to react quickly to an ever-changing marketplace. We continue to use that agility to our advantage. Even in a year when gas prices soared to record

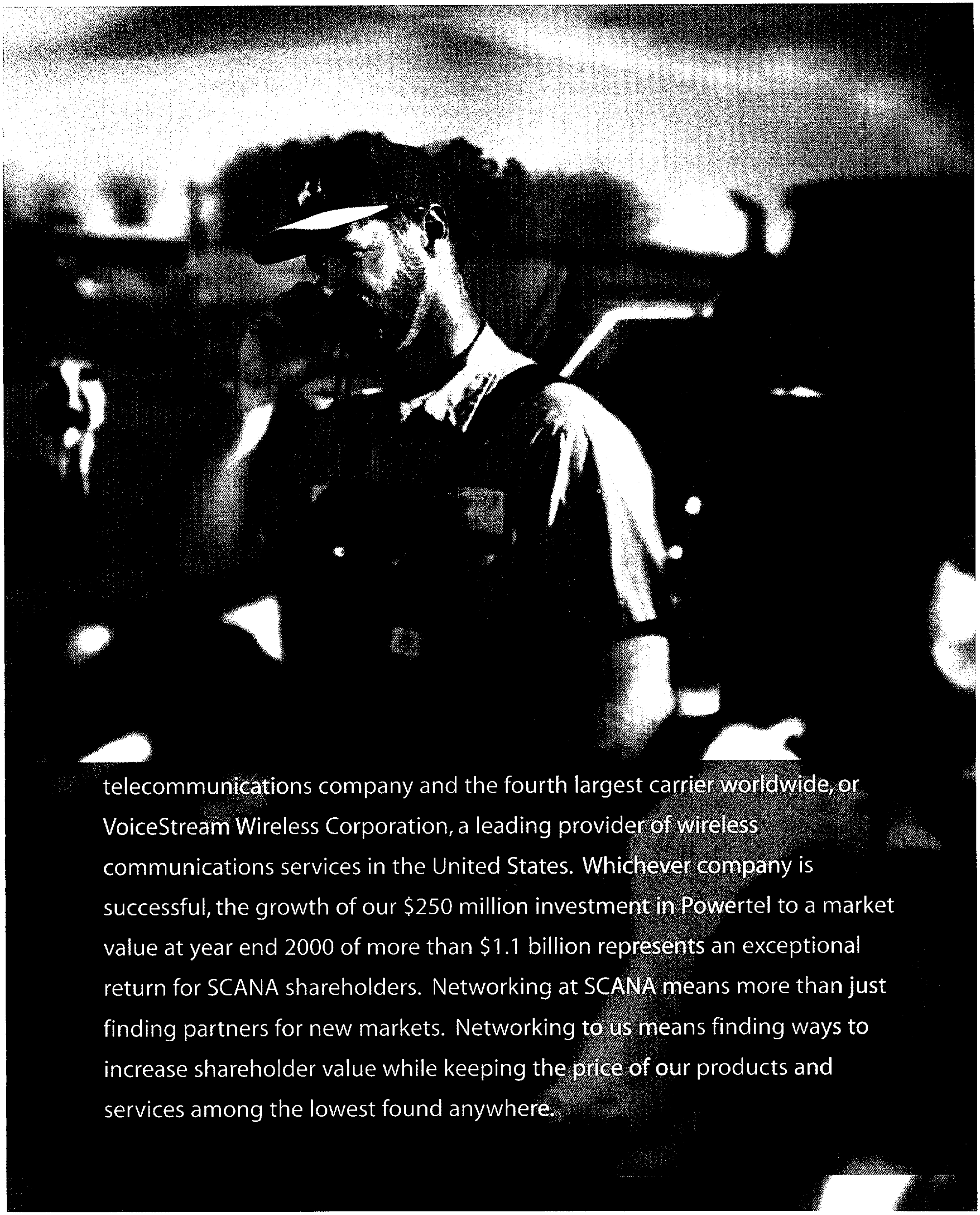
AGILITY TO US MEANS CREATING OPPORTUNITIES THAT ALLOW US TO BE COMPETITIVE AND PROFITABLE AND ADD TO SHAREHOLDER VALUE.

highs, we were able to put into place actions and measures to meet our customers' needs with competitively priced services while showing a profit just one year after start-up operations. Agility at SCANA means more than just creating and capturing opportunities. Agility to us means creating opportunities that allow us to be competitive and profitable and add to shareholder value.

Networking...

means forming partnerships. That's what we had in mind in the mid-1980's when SCANA entered the telecommunications arena by building fiber optics lines for our own use, and leasing the excess capacity to other carriers. Through partnerships we expanded the fiber optics network across the Southeast. And soon we were investing in other telecommunications providers, creating partnerships that introduced new products and services in new and emerging markets. One of those was Powertel, a leading provider of digital wireless Personal Communications Services in the Southeast. In August, it was announced that Powertel would be acquired by one of two telecommunications giants – Deutsche Telekom, Europe's largest

NETWORKING TO US MEANS FINDING WAYS TO INCREASE SHAREHOLDER VALUE WHILE KEEPING THE PRICE OF OUR PRODUCTS AND SERVICES AMONG THE LOWEST FOUND ANYWHERE.



telecommunications company and the fourth largest carrier worldwide, or VoiceStream Wireless Corporation, a leading provider of wireless communications services in the United States. Whichever company is successful, the growth of our $250 million investment in Powertel to a market value at year end 2000 of more than $1.1 billion represents an exceptional return for SCANA shareholders. Networking at SCANA means more than just finding partners for new markets. Networking to us means finding ways to increase shareholder value while keeping the price of our products and services among the lowest found anywhere.

Accountability

means taking ownership. That's what allowed our electric generating plants and our transmission and distribution systems to produce exceptional results when a period of hot, dry weather led to record demand for power by our customers. On July 20, we recorded an all-time, one-hour peak demand of 4,211 megawatts. We also set a new 24-hour energy use record of 84,006 megawatt hours, or a 16 percent increase from just three years

ACCOUNTABILITY TO US MEANS MEETING OUR CUSTOMERS' NEEDS WITH OUR OWN, LOW-COST GENERATION WHEN IT'S NEEDED MOST.

earlier. Our system of 21 fossil, hydro, nuclear and internal combustion generating facilities are among the most efficient and reliable in the nation because of the accountability of the people responsible for operating and maintaining them. Accountability at SCANA means more than just being able to meet our customers' needs. Accountability to us means meeting our customers' needs with our own, low-cost generation when it's needed most.

board of directors

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Batesburg, SC

James A. Bennett
President & CEO
South Carolina
Community Bank
Columbia, SC

William B. Bookhart, Jr.
Partner
Bookhart Farms
Elloree, SC

William C. Burkhardt
President & CEO, Retired
Austin Quality Foods, Inc.
Cary, NC

Hugh M. Chapman
Retired Chairman
NationsBank South
Atlanta, GA

Elaine T. Freeman
Executive Director
ETV Endowment of SC, Inc.
Spartanburg, SC

Lawrence M. Gressette, Jr.
Chairman Emeritus
SCANA Corporation
Columbia, SC

D. Maybank Hagood
President & CEO
William M. Bird & Co., Inc
Charleston, SC

W. Hayne Hipp
Chairman, President & CEO
The Liberty Corporation
Greenville, SC

Lynne M. Miller
CEO, Environmental
Strategies Corporation
Reston, VA

Harold C. Stowe
President & CEO
Canal Industries, Inc.
Conway, SC

Maceo K. Sloan
Chairman, President & CEO
Sloan Financial Group, Inc.
Chairman & CEO
NCM Capital Mgt. Group, Inc.
Durham, NC

William B. Timmerman
Chairman, President & CEO
SCANA Corporation
Columbia, SC

G. Smedes York
President & Treasurer
York Properties, Inc.
Raleigh, NC

Charles E. Zeigler, Jr.
President & COO
PSNC Energy
Gastonia, NC

Directors Emeriti
William R. Bruce, Sr
William T. Cassels, Jr.
James B. Edwards
Benjamin A. Hagood
Jack F. Hassell, Jr.
F. Creighton McMaster
Allan C. Mustard
Henry Ponder
John B. Rhodes
Virgil C. Summer
John A. Warren

executive officers

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Legal

George J. Bullwinkel, Jr.
Telecommunications &
Governmental Affairs

Stephen A. Byrne
Nuclear Operations

Asbury H. Gibbes
Natural Gas
Transmission, SC

Duane C. Harris
Human Resources

Neville O. Lorick
Electric & Natural Gas
Operations, SC

Kevin B. Marsh
Finance

Ann M. Milligan
Marketing;
Retail Natural Gas, GA

William B. Timmerman
Chief Executive Officer

Charles E. Zeigler, Jr.
Natural Gas Operations,
NC; Interstate Supply
& Capacity

Independent Auditors' Report

SCANA Corporation:

We have audited the accompanying Consolidated Balance Sheets and Statements of Capitalization of SCANA Corporation (Company) as of December 31, 2000 and 1999 and the related Consolidated Statements of Income and Retained Earnings, Changes in Common Equity and Cash Flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2000, the Company changed its method of accounting for operating revenues associated with its regulated utility operations.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Columbia, South Carolina
February 7, 2001 (February 16, 2001as to Note 15)

Consolidated Balance Sheets

December 31, (Millions of dollars)	2000	1999
ASSETS		
Utility Plant (Notes 1 & 6):		
Electric	**$4,747**	$4,633
Gas	**1,435**	632
Other	**187**	191
Total	**6,369**	5,456
Less accumulated depreciation and amortization	**2,212**	1,829
Total	**4,157**	3,627
Construction work in progress	**261**	159
Nuclear fuel, net of accumulated amortization	**57**	43
Acquisition adjustment—gas, net of accumulated amortization (Note 3)	**474**	22
Utility Plant, Net	**4,949**	3,851
Nonutility Property, net of accumulated depreciation	**79**	61
Investments (Note 12)	**203**	938
Nonutility Property and Investments, net of accumulated depreciation	**282**	999
Current Assets:		
Cash and temporary cash investments (Notes 1 & 12)	**159**	116
Receivables (net of provisions for uncollectible accounts of $31 million in 2000 and $7 million in 1999)	**699**	318
Inventories (At average cost) (Note 7):		
Fuel	**107**	82
Materials and supplies	**56**	51
Emission allowances	**20**	17
Prepayments	**16**	18
Investments (Note 12)	**479**	–
Deferred income taxes (Notes 1 & 11)	**–**	16
Total Current Assets	**1,536**	618
Deferred Debits:		
Emission allowances	**3**	14
Environmental	**30**	24
Nuclear plant decommissioning fund (Note 1)	**72**	64
Pension asset, net (Note 5)	**196**	144
Other regulatory assets (Note 1)	**213**	175
Other	**139**	122
Total Deferred Debits	**653**	543
TOTAL	**$7,420**	$6,011

Consolidated Balance Sheets

December 31, (Millions of dollars)	**2000**	1999
CAPITALIZATION AND LIABILITIES		
Stockholders' Investment:		
Common Equity (Note 9)	**$2,032**	$2,099
Preferred stock (Not subject to purchase or sinking funds) (Note 10)	**106**	106
Total Stockholders' Investment	**2,138**	2,205
Preferred Stock, net (Subject to purchase or sinking funds)	**10**	11
SCE&G–Obligated Mandatorily Redeemable Preferred Securities of SCE&G's Subsidiary Trust, SCE&G Trust I, holding solely $50 million principal amount of the 7.55% Junior Subordinated Debentures of SCE&G, due 2027 (Note 10)	**50**	50
Long-Term Debt, net (Notes 6 & 12)	**2,850**	1,563
Total Capitalization	**5,048**	3,829
Current Liabilities:		
Short-term borrowings (Notes 7, 8 & 12)	**398**	266
Current portion of long-term debt (Note 6)	**41**	303
Accounts payable	**396**	189
Customer deposits	**25**	16
Taxes accrued	**54**	86
Interest accrued	**42**	29
Dividends declared	**32**	31
Deferred income taxes (Notes 1 & 11)	**98**	–
Other	**25**	13
Total Current Liabilities	**1,111**	933
Deferred Credits:		
Deferred income taxes (Notes 1 & 11)	**721**	805
Deferred investment tax credits (Notes 1 & 11)	**119**	116
Reserve for nuclear plant decommissioning (Note 1)	**72**	64
Postretirement benefits (Note 5)	**113**	98
Other regulatory liabilities	**75**	64
Other (Note 1)	**161**	102
Total Deferred Credits	**1,261**	1,249
Commitments and Contingencies (Note 13)	**–**	–
TOTAL	**$7,420**	$6,011

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income and Retained Earnings

For the Years Ended December 31, (Millions of dollars, except per share amounts)	**2000**	1999	1998
Operating Revenues (Notes 1, 2 & 4):			
Electric	**$1,344**	$1,226	$1,220
Gas - Regulated	**998**	422	411
Gas - Nonregulated	**1,091**	430	475
Total Operating Revenues	**3,433**	2,078	2,106
Operating Expenses:			
Fuel used in electric generation	**295**	285	262
Purchased power	**82**	36	31
Gas purchased for resale	**1,694**	721	746
Other operation and maintenance (Note 1)	**477**	411	351
Depreciation and amortization (Note 1)	**217**	169	145
Other taxes	**114**	103	101
Total Operating Expenses	**2,879**	1,725	1,636
Operating Income	**554**	353	470
Other Income:			
Other income, including allowance for equity funds used during construction (Note 1)	**41**	22	19
Gain on sale of subsidiary assets	**3**	68	–
Total Other Income	**44**	90	19
Income Before Interest Charges, Income Taxes, Preferred Stock Dividends and Cumulative Effect of Accounting Change	**598**	443	489
Interest Charges:			
Interest expense on long-term debt, net	**206**	132	121
Other interest expense, net of allowance for borrowed funds used during construction (Note 1)	**19**	10	2
Total Interest Charges, Net	**225**	142	123
Income Before Income Taxes, Preferred Stock Dividends and Cumulative Effect of Accounting Change	**373**	301	366
Income Taxes (Note 11)	**141**	111	131
Income Before Preferred Stock Dividends and Cumulative Effect of Accounting Change	**232**	190	235
Preferred Dividend Requirement of SCE&G–Obligated Mandatorily Redeemable Preferred Securities	**4**	4	4
Income Before Cash Dividends on Preferred Stock of Subsidiary and Cumulative Effect of Accounting Change	**228**	186	231
Cash Dividends on Preferred Stock of Subsidiary (At stated rates)	**7**	7	8
Income Before Cumulative Effect of Accounting Change	**221**	179	223
Cumulative Effect of Accounting Change, net of taxes (Note 2)	**29**	–	–
Net Income	**250**	179	223
Retained Earnings at Beginning of Year	**720**	678	617
Common Stock Cash Dividends Declared	**(120)**	(137)	(162)
Retained Earnings at End of Year	**$850**	$720	$678
Basic and Diluted Earnings Per Share of Common Stock:			
Before Cumulative Effect of Accounting Change	**$2.12**	$1.73	$2.12
Cumulative Effect of Accounting Change, net of taxes (Note 2)	**.28**	–	–
Basic and diluted earnings per share	**$2.40**	$1.73	$2.12
Weighted average shares outstanding (millions)	**104.5**	103.6	105.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended December 31, (Millions of dollars)	2000	1999	1998
Cash Flows From Operating Activities:			
Net Income	**$250**	$179	$223
Adjustments to reconcile net income to net cash provided from operating activities:			
Cumulative effect of accounting change, net of taxes	**(29)**	–	–
Depreciation and amortization	**227**	177	152
Amortization of nuclear fuel	**16**	18	20
Gain on sale of subsidiary assets	**(3)**	(68)	–
Equity in losses of affiliates	**3**	1	–
Preferred stock dividends	**7**	7	8
Allowance for funds used during construction	**(9)**	(7)	(16)
Over (under) collection, fuel adjustment clauses	**(33)**	(6)	1
Changes in certain current assets and liabilities:			
Increase in receivables	**(263)**	(42)	(28)
Increase in deferred income taxes, net	**61**	19	15
Increase in pension asset	**(43)**	(29)	(33)
Increase in postretirement benefits	**15**	11	26
Decrease in other regulatory assets	**4**	19	16
Increase (decrease) in other regulatory liabilities	**11**	(7)	4
(Increase) decrease in inventories	**3**	(14)	(16)
Increase (decrease) in accounts payable	**157**	(30)	88
Increase (decrease) in taxes accrued	**(55)**	14	13
Other, net	**72**	(17)	(6)
Net Cash Provided From Operating Activities	**391**	225	467
Cash Flows From Investing Activities:			
Utility property additions and construction expenditures, net of AFC	**(334)**	(238)	(281)
Purchase of subsidiary, net of cash acquired	**(212)**	–	–
Proceeds on sale of subsidiary assets	**8**	112	–
Increase in nonutility property and investments, net:			
Nonutility property	**(27)**	(23)	(22)
Investments	**(20)**	(74)	(106)
Net Cash Used For Investing Activities	**(585)**	(223)	(409)
Cash Flows From Financing Activities:			
Proceeds:			
Issuance of First Mortgage Bonds	**148**	99	–
Issuance of notes and loans	**998**	200	249
Repayments and repurchases:			
Mortgage bonds	**(100)**	(10)	(50)
Notes and loans	**(175)**	(77)	(96)
Other long-term debt	**(8)**	(10)	–
Preferred stock	**(1)**	–	(1)
Common stock	**(488)**	–	(110)
Dividend payments:			
Common stock	**(124)**	(148)	(162)
Preferred stock	**(7)**	(7)	(8)
Short-term borrowings, net	**(6)**	71	136
Fuel financings, net	**–**	(66)	(14)
Net Cash Provided From (Used For) Financing Activities	**237**	52	(56)
Net Increase in Cash and Temporary Cash Investments	**43**	54	2
Cash and Temporary Cash Investments, January 1	**116**	62	60
Cash and Temporary Cash Investments, December 31	**$159**	$116	$62
Supplemental Cash Flow Information:			
Cash paid for–Interest (net of capitalized interest of $6, $4 and $7)	**$207**	$138	$120
–Income taxes	**139**	84	114
Noncash Investing and Financing Activities:			
Unrealized gain (loss) on securities available for sale, net of tax	**(197)**	311	7

In conjunction with the acquisition of Public Service Company of North Carolina, Incorporated, liabilities were assumed as follows:

Fair value of assets acquired	$1,177
Cash paid for capital stock	(212)
Stock issued as consideration	(488)
Liabilities assumed	$ 477

See Notes to Consolidated Financial Statements.

Consolidated Statements of Capitalization

December 31, (Millions of dollars)					2000		1999	
Common Equity (Note 9):								
Common stock, without par value, authorized 150,000,000 shares; issued and outstanding, 104,729,131 shares in 2000 and 103,572,623 shares in 1999					**$1,043**		$1,043	
Unrealized gain on securities available for sale, net of taxes					**139**		336	
Retained earnings					**850**		720	
Total Common Equity					**2,032**	**40%**	2,099	55%
South Carolina Electric & Gas Company:								
Cumulative Preferred Stock (Not subject to purchase or sinking funds):								
$100 Par Value–Authorized 1,200,000 shares								
$50 Par Value–Authorized 125,209 shares								
		Shares Outstanding		Redemption Price				
	Series	2000	1999					
$100 Par	6.52%	1,000,000	1,000,000	100.00	**100**		100	
$50 Par	5.00%	125,209	125,209	52.50	**6**		6	
Total Preferred Stock (Not subject to purchase or sinking funds) (Note 10)					**106**	**2%**	106	3%
South Carolina Electric & Gas Company:								
Cumulative Preferred Stock (Subject to purchase or sinking funds):								
$100 Par Value–Authorized 1,550,000 shares; None outstanding in 2000 and 1999								
$50 Par Value–Authorized 1,560,287 shares								
		Shares Outstanding		Redemption Price				
	Series	2000	1999					
	4.50%	9,600	11,200	51.00	**1**		1	
	4.60%(A)	16,052	18,052	51.00	**1**		1	
	4.60%(B)	57,800	61,200	50.50	**3**		3	
	5.125%	67,000	68,000	51.00	**3**		3	
	6.00%	69,835	73,035	50.50	**3**		4	
Total		220,287	231,487					
$25 Par Value–Authorized 2,000,000 shares; None outstanding in 2000 and 1999								
Total Preferred Stock (Subject to purchase or sinking funds)					**11**		12	
Less: Current portion, including sinking fund requirements					**(1)**		(1)	
Total Preferred Stock, Net (Subject to purchase or sinking funds) (Notes 10 & 12)					**10**	–	11	–
SCE&G–Obligated Mandatorily Redeemable Preferred Securities of SCE&G's Subsidiary Trust, SCE&G Trust I, holding solely $50 million principal amount of 7.55% Junior Subordinated Debentures of SCE&G, due 2027 (Note 10)					**50**	**1%**	50	1%

Consolidated Statements of Capitalization

December 31, (Millions of dollars)			2000		1999	
Long-Term Debt (Notes 6 & 12):						
SCANA Corporation:						
Medium-Term Notes:	Series	Year of Maturity				
	5.52%	2000	**–**		150	
	6.15%	2000	**–**		20	
	7.45%	2002	**300**		–	
	5.91% (1)	2002	**400**		–	
	6.51%	2003	**20**		20	
	6.05%	2003	**60**		60	
	6.25%	2003	**75**		75	
	7.44%	2004	**50**		50	
	6.90%	2007	**25**		25	
	5.81%	2008	**115**		115	
(1) Current rate, based on LIBOR, reset quarterly						
Bank note, due 2002-2003, LIBOR rate, reset 1, 2, 3 or 6 months, currently 6.57%			**300**		–	
South Carolina Electric & Gas Company:						
First Mortgage Bonds:	Series	Year of Maturity				
	6%	2000	**–**		100	
	6 1/4%	2003	**100**		100	
	7.70%	2004	**100**		100	
	7 1/2%	2005	**150**		–	
	6 1/8%	2009	**100**		100	
	7 1/8%	2013	**150**		150	
	7 1/2%	2023	**150**		150	
	7 5/8%	2023	**100**		100	
	7 5/8%	2025	**100**		100	
First and Refunding Mortgage Bonds:	Series	Year of Maturity				
	9%	2006	**131**		131	
	8 7/8%	2021	**103**		103	
Pollution Control Facilities Revenue Bonds:						
Fairfield County Series 1984, due 2014 (6.50%)			**57**		57	
Orangeburg County Series 1994, due 2024 (5.70%)			**30**		30	
Other			**17**		17	
Charleston Franchise Agreement, due 1997-2002			**7**		11	
South Carolina Generating Company, Inc.:						
Berkeley County Pollution Control Facilities Revenue Bonds, Series 1984, due 2014 (6.50%)			**36**		36	
Note, 7.78%, due 2011			**49**		49	
Public Service Company of North Carolina, Incorporated:						
Senior Debentures:	Series	Year of Maturity				
	10%	2004	**17**		–	
	8.75%	2012	**32**		–	
	6.99%	2026	**50**		–	
	7.45%	2026	**50**		–	
South Carolina Pipeline Corporation Notes, 6.72%, due 2013			**16**		17	
Other			**4**		3	
Total Long-Term Debt			**2,894**		1,869	
Less–Current maturities, including sinking fund requirements			**(41)**		(303)	
–Unamortized discount			**(3)**		(3)	
Total Long-Term Debt, Net			**2,850**	**57%**	1,563	41%
Total Capitalization			**$5,048**	**100%**	$3,829	100%

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Common Equity

For the Years Ended December 31, (Millions of dollars)	**2000**		1999		1998	
	Common Equity	**Comprehensive Income**	Common Equity	Comprehensive Income	Common Equity	Comprehensive Income
Retained Earnings:						
Balance at January 1	**$720**		$678		$617	
Net Income	**250**	**$250**	179	$179	223	$223
Dividends declared on common stock	**(120)**		(137)		(162)	
Balance at December 31	**850**		720		678	
Accumulated other comprehensive income:						
Balance at January 1	**336**		25		18	
Unrealized gains (losses) on securities, net of taxes ($(106), $165 and $4 in 2000, 1999 and 1998, respectively)	**(197)**	**(197)**	311	311	7	7
Comprehensive income		**$53**		$490		$230
Balance at December 31	**139**		336		25	
Common Stock:						
Balance at January 1	**1,043**		1,043		1,153	
Shares issued	**488**		–		–	
Shares repurchased	**(488)**		–		(110)	
Balance at December 31	**1,043**		1,043		1,043	
Total Common Equity	**$2,032**		$2,099		$1,746	

Accumulated other comprehensive income at December 31, 2000, 1999 and 1998 was comprised of unrealized holding gains and losses on securities, net of taxes. There were no realized gains or losses from these securities for the years ended December 31, 2000, 1999 and 1998

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Principles of Consolidation

SCANA Corporation (Company), a South Carolina corporation, is a registered public utility holding company within the meaning of the Public Utility Holding Company Act of 1935 (PUHCA). The Company, through wholly owned subsidiaries, is engaged predominately in the generation and sale of electricity to wholesale and retail customers in South Carolina and in the purchase, sale and transportation of natural gas to wholesale and retail customers in South Carolina, North Carolina and Georgia. The Company is also engaged in other energy-related businesses. The Company has investments in telecommunications companies and provides fiber optic communications in South Carolina.

The accompanying Consolidated Financial Statements reflect the accounts of the Company and its wholly owned subsidiaries:

Regulated utilities
South Carolina Electric & Gas Company (SCE&G)
South Carolina Fuel Company, Inc. (Fuel Company)
South Carolina Generating Company, Inc. (GENCO)
South Carolina Pipeline Corporation (Pipeline Corporation)
Public Service Company of North Carolina, Incorporated (PSNC)

Nonregulated businesses
SCANA Energy Marketing, Inc.
SCANA Communications, Inc. (SCI)
ServiceCare, Inc.
Primesouth, Inc.
SCANA Resources, Inc.
SCANA Services, Inc.
SCANA Propane Gas, Inc. (in liquidation)
SCANA Propane Services, Inc. (in liquidation)
SCANA Petroleum Resources, Inc. (in liquidation)
SCANA Development Corporation (in liquidation)

Certain investments are reported using the cost or equity method of accounting, as appropriate. Significant intercompany balances and transactions have been eliminated in consolidation except as permitted by Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation" which provides that profits on intercompany sales to regulated affiliates are not eliminated if the sales price is reasonable and the future recovery of the sales price through the rate-making process is probable.

B. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of SFAS 71. This accounting standard requires cost-based rate-regulated utilities to recognize in their financial statements revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result the Company has recorded, as of December 31, 2000, approximately $244 million and $75 million of regulatory assets and liabilities, respectively, including amounts recorded for deferred income tax assets and liabilities of approximately $140 million and $57 million, respectively. The electric and gas regulatory assets of approximately $45 million and $58 million, respectively (excluding deferred income tax assets), are recoverable through rates. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded, but it is not expected that cash flows or financial position would be materially affected.

C. System of Accounts

The accounting records of the Company's regulated subsidiaries are maintained in accordance with the Uniform System of Accounts prescribed by either the Federal Energy Regulatory Commission (FERC) or the National Association of Regulatory Commisioners (NARUC) and as adopted by the South Carolina Public Service Commission (PSC) or, in the case of PSNC, the North Carolina Utilities Commission (NCUC). The NARUC system of accounts is substantially the same as the FERC system of accounts.

Notes to Consolidated Financial Statements

D. Utility Plant

Utility plant is stated substantially at original cost. The costs of additions, renewals and betterments to utility plant, including direct labor, material and indirect charges for engineering, supervision and an allowance for funds used during construction, are added to utility plant accounts. The original cost of utility property retired or otherwise disposed of is removed from utility plant accounts and generally charged, along with the cost of removal, less salvage, to accumulated depreciation. The costs of repairs, replacements and renewals of items of property determined to be less than a unit of property are charged to maintenance expense.

SCE&G, operator of the V. C. Summer Nuclear Station (Summer Station), and the South Carolina Public Service Authority (Santee Cooper) are joint owners of Summer Station in the proportions of two-thirds and one-third, respectively. The parties share the operating costs and energy output of the plant in these proportions. Each party, however, provides its own financing. Plant-in-service related to SCE&G's portion of Summer Station was approximately $965.0 million and $959.7 million as of December 31, 2000 and 1999, respectively. Accumulated depreciation associated with SCE&G's share of Summer Station was approximately $387.7 million and $365.1 million as of December 31, 2000 and 1999, respectively. SCE&G's share of the direct expenses associated with operating Summer Station is included in "Other operation and maintenance" expenses.

E. Allowance for Funds Used During Construction (AFC)

AFC, a noncash item, reflects the period cost of capital devoted to plant under construction. This accounting practice results in the inclusion of, as a component of construction cost, the costs of debt and equity capital dedicated to construction investment. AFC is included in rate base investment and depreciated as a component of plant cost in establishing rates for utility services. The Company's regulated subsidiaries calculated AFC using composite rates of 8.3%, 8.1% and 8.7% for 2000, 1999 and 1998, respectively. These rates do not exceed the maximum allowable rate as calculated under FERC Order No. 561. Interest on nuclear fuel in process is capitalized at the actual interest amount incurred.

F. Revenue Recognition

Revenues are recorded during the accounting period in which services are provided to customers, and include estimated amounts for electricity and natural gas delivered, but not yet billed. Prior to January 1, 2000 revenues related to regulated electric and gas services were recorded only as customers were billed (see Note 2).

Fuel costs for electric generation are collected through the fuel cost component in retail electric rates. The fuel cost component contained in electric rates is established by the PSC during annual fuel cost hearings. Any difference between actual fuel costs and amounts contained in the fuel cost component is deferred and included when determining the fuel cost component during the next annual fuel cost hearing. SCE&G had undercollected through the electric fuel cost component approximately $35.5 million and $10.1 million at December 31, 2000 and 1999, respectively, which are included in "Deferred Debits – Other regulatory assets."

Customers subject to the gas cost adjustment clause are billed based on a fixed cost of gas determined by the PSC during annual gas cost recovery hearings. Any difference between actual gas costs and amounts contained in rates is deferred and included when establishing gas costs during the next annual gas cost recovery hearing. At December 31, 2000 and 1999 the Company had undercollected through the gas cost recovery procedure approximately $22.0 million and $4.1 million, respectively, which are included in "Deferred Debits – Other regulatory assets."

SCE&G's and PSNC's gas rate schedules for residential, small commercial and small industrial customers include a weather normalization adjustment, which minimizes fluctuations in gas revenues due to abnormal weather conditions.

G. Depreciation and Amortization

Provisions for depreciation and amortization are recorded using the straight-line method and are based on the estimated service lives of the various classes of property.

Notes to Consolidated Financial Statements

The composite weighted average depreciation rates for utility plant assets were as follows:

	2000	1999	1998
SCE&G	**2.98%**	2.99%	3.02%
GENCO	**2.67%**	2.56%	2.65%
Pipeline Corporation	**2.58%**	2.62%	2.63%
PSNC	**4.15%**	–	–
Aggregate of Above	**3.09%**	2.95%	2.98%

Nuclear fuel amortization, which is included in "Fuel used in electric generation" and recovered through the fuel cost component of SCE&G's rates, is recorded using the units-of-production method. Provisions for amortization of nuclear fuel include amounts necessary to satisfy obligations to the Department of Energy (DOE) under a contract for disposal of spent nuclear fuel.

The acquisition adjustment relating to the purchase of certain gas properties in 1982 is being amortized over a 40-year period using the straight-line method. The acquisition adjustment related to the purchase of PSNC in 2000 is being amortized over a 35-year period using the straight-line method.

H. Nuclear Decommissioning

SCE&G's share of estimated site-specific nuclear decommissioning costs for Summer Station, including the cost of decommissioning plant components not subject to radioactive contamination, totals approximately $357.3 million, stated in 1999 dollars, based on a decommissioning study completed in 2000. Santee Cooper is responsible for decommissioning costs related to its ownership interest in the station. The cost estimate is based on a decommissioning methodology acceptable to the Nuclear Regulatory Commission (NRC) under which the site would be maintained over a period of approximately 60 years in such a manner as to allow for subsequent decontamination that permits release for unrestricted use.

SCE&G's method of funding decommissioning costs is referred to as COMReP (Cost of Money Reduction Plan). Under this plan, funds collected through rates ($3.2 million in each of 2000, 1999 and 1998) are used to pay premiums on insurance policies on the lives of certain Company personnel. SCE&G is the beneficiary of these policies. Through these insurance contracts, SCE&G is able to take advantage of income tax benefits and accrue earnings on the fund on a tax-deferred basis. Amounts for decommissioning collected through electric rates, insurance proceeds, and interest on proceeds, less expenses, are transferred by SCE&G to an external trust fund in compliance with the financial assurance requirements of the NRC. Management intends for the fund, including earnings thereon, to provide for all eventual decommissioning expenditures on an after-tax basis. SCE&G records its liability for decommissioning costs in deferred credits.

In addition to the above, pursuant to the National Energy Policy Act passed by Congress in 1992 and the requirements of the DOE, SCE&G has recorded a liability for its estimated share of the DOE's decontamination and decommissioning obligation. The liability, approximately $2.8 million at December 31, 2000, has been included in "Long-Term Debt, net." SCE&G is recovering the cost associated with this liability through the fuel cost component of its rates; accordingly, this amount has been deferred and is included in "Deferred Debits - Other."

I. Income Taxes

Deferred tax assets and liabilities are recorded for the tax effects of all significant temporary differences between the book basis and tax basis of assets and liabilities at currently enacted tax rates. Deferred tax assets and liabilities are adjusted for changes in such rates through charges or credits to regulatory assets or liabilities if they are expected to be recovered from, or passed through to, customers of the Company's regulated subsidiaries; otherwise, they are charged or credited to income tax expense.

J. Debt Premium, Discount and Expense, Unamortized Loss on Reacquired Debt

Long-term debt premium, discount and expense are being amortized as components of "Interest on long-term debt, net" over the terms of the respective debt issues. Gains or losses on reacquired debt that is refinanced are deferred and amortized over the term of the replacement debt.

Notes to Consolidated Financial Statements

K. Environmental

The Company maintains an environmental assessment program to identify and assess current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the expenditures, if any, deemed necessary to investigate and remediate each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate primarily to regulated operations. Such amounts are deferred and amortized with recovery provided through rates. The Company also has recovered portions of its environmental liabilities through settlements with various insurance carriers, including all amounts previously deferred for its electric operations. The Company expects to recover all deferred amounts related to SCE&G's gas operations by December 2005. Deferred amounts for SCE&G, net of amounts recovered through rates and insurance settlements, totaled \$20.2 million and \$23.7 million at December 31, 2000 and 1999, respectively. Deferred amounts for PSNC totaled \$10.2 million at December 31, 2000. The deferral includes the estimated costs associated with the matters discussed in Note 13C.

L. Temporary Cash Investments

The Company considers temporary cash investments having original maturities of three months or less to be cash equivalents. Temporary cash investments are generally in the form of commercial paper, certificates of deposit and repurchase agreements.

M. Commodity Derivatives

To minimize price risk due to market fluctuations, the Company utilizes forward contracts, futures contracts, option contracts and swap agreements to hedge certain purchases and sales of natural gas. Changes in the market value of such financial contracts pertaining to nonregulated operations are deferred and included in income in the period in which the offsetting physical transactions occur. For such transactions related to the Company's regulated operations, gains and losses on these contracts are included as a component of the related cost of gas which is subject to recovery under the fuel adjustment clause. (See Note 1F). The resulting under or over recovery of such costs is recorded in "Deferred Debits" or "Deferred Credits," respectively, on the balance sheet.

N. Recently Issued Accounting Standard and Bulletin

In June 1998 the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS 138, which amends certain provisions of SFAS 133 to expand the normal purchase and sale exemption for supply contracts and to redefine interest rate risk to reduce sources of ineffectiveness, among other things. The Company utilizes various derivatives in its risk management activities, including swaps and commodities futures. The Company adopted SFAS 133, as amended, on January 1, 2001. As a result of adopting SFAS 133, the Company recorded a credit of approximately \$23.0 million, net of tax, as the effect of a change in accounting principle (transition adjustment) to other comprehensive income on January 1, 2001. This amount represents the reclassification of unrealized gains that were deferred and reported as liabilities at December 31, 2000. In the future, all gains/losses related to qualifying cash flow hedges deferred in other comprehensive income will be reclassified to earnings at the time the hedged transaction affects earnings.

In December 1999 Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" was issued by the Securities and Exchange Commission (SEC), and provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. The Company's adoption of this bulletin in the fourth quarter of 2000 had no impact on its results of operations, cash flows or financial position.

O. Stock Option Plan

On April 27, 2000 the Company adopted the SCANA Corporation Long-Term Equity Compensation Plan (the Plan). Under the Plan, certain employees and non-employee directors may receive nonqualified stock options and other forms of equity compensation. The Company accounts for this equity-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In addition the Company has adopted the disclosure provisions of SFAS 123, "Accounting for Stock-Based Compensation."

Notes to Consolidated Financial Statements

P. Earnings Per Share

Earnings per share amounts have been computed in accordance with SFAS 128, "Earnings Per Share." Under SFAS 128, basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share are computed as net income divided by the weighted average number of shares of common stock outstanding during the period after giving effect to securities considered to be dilutive potential common stock. The Company uses the treasury stock method in determining total dilutive potential common stock.

Q. Reclassifications

Certain amounts from prior periods have been reclassified to conform with the presentation adopted for 2000.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Effective January 1, 2000 the Company changed its method of accounting for operating revenues associated with its regulated utility operations from cycle billing to full accrual. The cumulative effect of this change was $29 million, net of tax. Accruing unbilled revenues more closely matches revenues and expenses. Unbilled revenues represent the estimated amount customers will be charged for service rendered but not yet billed as of the end of the accounting period.

If this method had been applied retroactively, net income would have been $181 million ($1.75 per share) and $216 million ($2.05 per share) for the years ended December 31, 1999 and 1998, respectively, compared to $179 million ($1.73 per share) and $223 million ($2.12 per share), respectively, as reported.

3. ACQUISITION

On February 10, 2000 the Company completed its acquisition of PSNC in a business combination accounted for as a purchase. PSNC became a wholly owned subsidiary of the Company. PSNC is a public utility engaged primarily in transporting, distributing and selling natural gas to approximately 370,000 residential, commercial and industrial customers in 25 of its 28 franchised counties in North Carolina. Pursuant to the Agreement and Plan of Merger, PSNC shareholders were paid approximately $212 million in cash and 17.4 million shares of SCANA common stock valued at approximately $488 million. In connection with the acquisition, 16.3 million shares of SCANA common stock were repurchased for approximately $488 million. The results of operations of PSNC are included in the accompanying financial statements as of January 1, 2000, the effective date of acquisition . The total cost of the acquisition was approximately $700 million, which exceeded the fair value of the net assets acquired by approximately $466 million. The excess is being amortized over 35 years on a straight-line basis.

The following represents the unaudited pro forma results of operations of the Company for 1999 as if the acquisition were consummated on January 1, 1999. The unaudited pro forma results of operations exclude the effects of the accounting change discussed in Note 2 and include certain pro forma adjustments, including the amortization of the acquisition adjustment and interest on acquisition financing. The unaudited pro forma results of operations do not necessarily reflect the results that would have occurred had the acquisition occurred at January 1, 1999 or the results that may occur in the future.

In millions of dollars, except per share amount	
Operating revenues	$2,385
Net income	163
Basic and diluted earnings per share	1.56

Notes to Consolidated Financial Statements

4. RATE AND OTHER REGULATORY MATTERS

South Carolina Electric & Gas Company

A. On July 20, 2000 the PSC issued an order approving SCE&G's request for an out-of-period adjustment to increase the cost of gas component of its rates for natural gas service from 54.334 cents per therm to 68.835 cents per therm, effective with the first billing cycle in August 2000. As part of its regularly scheduled annual review of gas costs, the PSC issued an order on November 9, 2000 which further increased the cost of gas component to 78.151 cents per therm, effective with the first billing cycle in November 2000. On December 21, 2000 the PSC issued an order approving SCE&G's request for another out-of-period adjustment to increase the cost of gas component to 99.340 cents per therm, effective with the first billing cycle in January 2001.

B. On July 5, 2000 the PSC approved SCE&G's request to implement lower depreciation rates for its gas operations. The new rates were effective retroactively to January 1, 2000 and resulted in a reduction in annual depreciation expense of approximately $2.9 million.

C. On September 14, 1999 the PSC approved an accelerated capital recovery plan for SCE&G's Cope Generating Station. The plan was implemented beginning January 1, 2000 for a three-year period. The PSC approved an accelerated capital recovery methodology wherein SCE&G may increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates. The amount of the accelerated depreciation will be determined by SCE&G based on the level of revenues and operating expenses, not to exceed $36 million annually without the approval of the PSC. Any unused portion of the $36 million in any given year may be carried forward for possible use in the following year. As of December 31, 2000, no accelerated depreciation has been recorded. The accelerated capital recovery plan will be accomplished through existing customer rates.

D. On December 11, 1998 the PSC issued an order requiring SCE&G to reduce retail electric rates on a prospective basis. The PSC acted in response to SCE&G reporting that it earned a 13.04 percent return on common equity for its retail electric operations for the 12 months ended September 30, 1998. This return on common equity exceeded SCE&G's authorized return of 12.0 percent by 1.04 percent, or $22.7 million, primarily as a result of record heat experienced during the summer. The order required prospective per kilowatt-hour rate reductions, based on actual retail sales for the 12 months ended September 30, 1998. On January 12, 1999 the PSC denied SCE&G's motion for reconsideration. However, the PSC also ruled that no further rate action was required, and reaffirmed SCE&G's authorized return on equity of 12.0 percent. The rate reductions were placed into effect with the first billing cycle of January 1999.

E. On January 9, 1996 the PSC issued an order granting SCE&G an increase in retail electric rates which were fully implemented by January 1997. The PSC authorized a return on common equity of 12.0 percent. The PSC also approved establishment of a Storm Damage Reserve capped at $50 million to be collected through rates over a ten-year period. Additionally, the PSC approved accelerated recovery of a significant portion of SCE&G's electric regulatory assets (excluding deferred income tax assets) and the remaining transition obligation for postretirement benefits other than pensions, changing the amortization periods to allow recovery by the end of the year 2000. SCE&G's request to shift, for ratemaking purposes, approximately $257 million of depreciation reserves from transmission and distribution assets to nuclear production assets was also approved. The Consumer Advocate and two other intervenors appealed certain issues in the order initially to the South Carolina Circuit Court (Circuit Court), which affirmed the PSC's decisions, and, subsequently, to the South Carolina Supreme Court (Supreme Court). In March 1998 SCE&G, the PSC, the Consumer Advocate and one of the other intervenors reached an agreement that provided for the reversal of the shift in depreciation reserves and the dismissal of the appeal of all other issues. The PSC also authorized SCE&G to adjust depreciation rates that had been approved in the 1996 rate order for its electric transmission, distribution and nuclear production properties to eliminate the effect of the depreciation reserve shift and to retroactively apply such depreciation rates to February 1996. As a result, a one-time reduction in depreciation expense of $9.8 million was recorded in March 1998. The agreement does not affect retail electric rates. The FERC had previously rejected the transfer of depreciation reserves for rates subject to its jurisdiction. In September 1998 the Supreme Court affirmed the Circuit Court's rulings on the issues contested by the remaining intervenor.

F. In 1994 the PSC issued an order approving SCE&G's request to recover through a billing surcharge to its gas customers the costs of environmental cleanup at the sites of former manufactured gas plants (MGPs). The billing surcharge is subject to annual review and provides for the recovery of substantially all actual and projected site assessment and cleanup costs and environmental claims settlements for SCE&G's gas operations that had previously been deferred. In November 2000, as a result of the annual review, the PSC approved SCE&G's request to maintain the billing surcharge at $.011 per therm to provide for the recovery of the remaining balance of $20.1 million.

Notes to Consolidated Financial Statements

G. In September 1992 the PSC issued an order granting SCE&G's request for a \$.25 increase in transit fares from \$.50 to \$.75 in Columbia, South Carolina; however, the PSC also required \$.40 fares for low income customers and denied SCE&G's request to reduce the number of routes and frequency of service. The new rates were placed into effect in October 1992. SCE&G appealed the PSC's order to the Circuit Court, which in May 1995 ordered the case back to the PSC for reconsideration of several issues including the low income rider program, routing changes, and the \$.75 fare. The Supreme Court declined to review an appeal of the Circuit Court decision and dismissed the case. The PSC and other intervenors filed another Petition for Reconsideration, which the Supreme Court denied. The PSC and other intervenors filed another appeal to the Circuit Court which the Circuit Court denied in an order dated May 9, 1996. In this order, the Circuit Court upheld its previous orders and remanded them to the PSC. During August 1996 the PSC heard oral arguments on the orders on remand from the Circuit Court. On September 30, 1996 the PSC issued an order affirming its previous orders and denied SCE&G's request for reconsideration. In response to an appeal of the PSC's order by SCE&G, the Circuit Court issued an order on May 25, 2000, which remanded the matter to the PSC for review of SCE&G's original application and request to terminate the low income rider fare. On September 27, 2000 the PSC issued an order granting the relief requested by SCE&G. On September 29, 2000 the Consumer Advocate filed a motion with the PSC for a stay of this order to which SCE&G filed a response. On October 3, 2000 the PSC accepted the Consumer Advocate's motion and issued a stay of its order. The Consumer Advocate and other intervenors have petitioned the Circuit Court for judicial review of the PSC's order granting relief. Action by the Circuit Court is pending.

Public Service Company of North Carolina, Incorporated

H. On April 6, 2000 the NCUC issued an order permanently approving PSNC's request to establish its commodity cost of gas for large commercial and industrial customers on the basis of market prices for natural gas. The NCUC previously allowed PSNC use of this mechanism on a trial basis. This procedure allows PSNC to manage its deferred gas cost better by ensuring that the amount paid for natural gas to serve these customers approximates the amount collected from them.

I. A state expansion fund, established by the North Carolina General Assembly in1991 and funded by refunds from PSNC's interstate pipeline transporters, provides financing for expansion into areas that otherwise would not be economically feasible to serve. On December 30, 1999 PSNC filed an application with the NCUC to extend natural gas service to Madison, Jackson and Swain Counties. Pursuant to state statutes, the NCUC required PSNC to forfeit its exclusive franchises to serve six counties in western North Carolina effective January 31, 2000 because these counties were not receiving any natural gas service. Madison, Jackson and Swain Counties were included in the forfeiture order. On June 29, 2000 the NCUC approved PSNC's requests for reinstatement of its exclusive franchises for Madison, Jackson and Swain Counties and disbursement of up to \$28.4 million from PSNC's expansion fund for this project. PSNC estimates that the cost of this project will be approximately \$31.4 million.

J. On December 7, 1999 the NCUC issued an order approving the acquisition of PSNC by the Company. As specified in the NCUC order, PSNC reduced its rates by approximately \$1 million in August 2000, will reduce rates another \$1 million in August 2001 and has agreed to a five-year moratorium on general rate cases. General rate relief can be obtained during this period to recover costs associated with materially adverse governmental actions and force majeure events.

K. On February 22, 1999 the NCUC approved PSNC's application to use expansion funds to extend natural gas service into Alexander County and authorized disbursements from the fund of approximately \$4.3 million based upon budgeted construction cost of approximately \$6.2 million. Most of Alexander County lies within PSNC's certificated service territory and did not previously have natural gas service. The project was completed and customers began receiving natural gas service in March, 2000.

L. On October 30, 1998 the NCUC issued an order in PSNC's general rate case filed in April 1998. The order, effective November 1, 1998, granted PSNC additional revenue of \$12.4 million and allowed a 9.82 percent overall rate of return on PSNC's net utility investment. It also approved the continuation of the Weather Normalization Adjustment and Rider D Mechanisms and full margin transportation rates. PSNC's Rider D rate mechanism authorizes the recovery of all prudently incurred gas costs from customers on a monthly basis. Any difference in amounts paid and collected for these costs is deferred for subsequent refund to or collection from customers. On February 4, 2000, in response to an appeal by the Carolina Utility Customers Association, Inc., the Supreme Court of North Carolina affirmed the NCUC order.

Notes to Consolidated Financial Statements

5. EMPLOYEE BENEFIT PLANS AND EQUITY COMPENSATION PLAN

Employee Benefit Plans

The Company sponsors a noncontributory defined benefit pension plan, which covers substantially all permanent employees. The Company's policy has been to fund the plan to the extent permitted by the applicable Federal income tax regulations as determined by an independent actuary.

Effective July 1, 2000 the Company's pension plan was amended to provide a cash balance formula. With certain exceptions, employees were allowed to either remain under the final average pay formula or elect the cash balance formula. Under the final average pay formula, benefits are based on years of accredited service and the employee's average annual base earnings received during the last three years of employment. Under the cash balance formula, the monthly benefit earned under the final average pay formula at July 1, 2000 was converted to a lump sum amount for each employee and increased by transition credits for eligible employees. Under the cash balance formula, benefits based upon this opening balance increase going forward as a result of compensation credits and interest credits. The effect of this plan amendment was to reduce net periodic benefit income for the year ended December 31, 2000 by approximately $3.7 million.

In addition to pension benefits, the Company provides certain unfunded health care and life insurance benefits to active and retired employees. Retirees share in a portion of their medical care cost. The Company provides life insurance benefits to retirees at no charge. The costs of postretirement benefits other than pensions are accrued during the years the employees render the services necessary to be eligible for the applicable benefits. Additionally, to accelerate the amortization of the remaining transition obligation for postretirement benefits other than pensions, as authorized by the PSC, the Company expensed approximately $0.7 million and $15.7 million for the years ended December 31, 1999 and 1998, respectively. (See Note 4E.)

Effective July 1, 2000 PSNC's pension and postretirement benefit plans were merged with SCANA's plans. At the time of the merger of the plans, PSNC had recorded a prepaid pension cost of approximately $9.0 million and a postretirement welfare plan obligation of approximately $9.1 million in its consolidated balance sheet.

Disclosures required for these plans under SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits" are set forth in the following tables:

Components of Net Periodic Benefit Cost

	Retirement Benefits			Other Postretirement Benefits		
Millions of dollars	**2000**	1999	1998	**2000**	1999	1998
Service Cost	**$8.3**	$10.0	$8.3	**$2.7**	$3.0	$2.6
Interest Cost	**33.5**	27.9	25.9	**10.2**	9.5	9.4
Expected return on assets	**(76.6)**	(65.5)	(59.3)	**n/a**	n/a	n/a
Prior service cost amortization	**3.0**	1.1	1.1	**0.8**	0.7	0.7
Actuarial (gain) loss	**(12.2)**	(8.6)	(9.6)	**-**	1.2	1.0
Transition amount amortization	**0.8**	0.8	0.8	**0.8**	1.7	19.1
Special termination benefit cost	**-**	5.5	-	**-**	1.0	-
Net periodic benefit (income) cost	**$(43.2)**	$(28.8)	$(32.8)	**$14.5**	$17.1	$32.8

Weighted-Average Assumptions

	Retirement Benefits			Other Postretirement Benefits		
As of December 31,	**2000**	1999	1998	**2000**	1999	1998
Discount rate	**8.0%**	8.0%	7.0%	**8.0%**	8.0%	7.0%
Expected return on plan assets	**9.5%**	9.5%	9.5%	**n/a**	n/a	n/a
Rate of compensation increase	**4.0%**	4.0%	4.0%	**4.0%**	4.0%	4.0%

Notes to Consolidated Financial Statements

Changes in Benefit Obligation

Millions of dollars	Retirement Benefits 2000	Retirement Benefits 1999	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999
Benefit obligation, January 1	**$362.3**	$389.3	**$129.8**	$137.0
Service cost	**8.3**	10.0	**2.7**	3.0
Interest cost	**33.5**	27.9	**10.2**	9.5
Plan participants' contributions	**0.1**	0.1	**0.5**	0.5
Plan amendment	**65.4**	–	**0.9**	–
Actuarial (gain) loss	**1.6**	(51.6)	**(7.8)**	(14.5)
Acquisition/merger of plans	**39.8**	–	**11.2**	–
Benefits paid	**(31.7)**	(18.9)	**(8.5)**	(6.7)
Special termination benefit cost	**-**	5.5	**-**	1.0
Benefit obligation, December 31	**$479.3**	$362.3	**$139.0**	$129.8

Change in Plan Assets

Millions of dollars	Retirement Benefits 2000	Retirement Benefits 1999
Fair value of plan assets, January 1	**$783.0**	$698.8
Actual return on plan assets	**96.7**	103.0
Company contribution	**-**	–
Plan participants' contributions	**0.1**	0.1
Acquisition/merger of plans	**46.2**	–
Benefits paid	**(31.7)**	(18.9)
Fair value of plan assets, December 31	**$894.3**	$783.0

Funded Status of Plans

Millions of dollars	Retirement Benefits 2000	Retirement Benefits 1999	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999
Funded status, December 31	**$415.0**	$420.7	**$(139.0)**	$(129.8)
Unrecognized actuarial (gain) loss	**(297.6)**	(294.0)	**13.0**	18.8
Unrecognized prior service cost	**73.7**	11.4	**4.5**	4.3
Unrecognized net transition obligation	**4.8**	5.6	**8.3**	9.1
Net amount recognized in Consolidated Balance Sheet	**$195.9**	$143.7	**$(113.2)**	$(97.6)

Health Care Trends

The determination of net periodic other postretirement benefit cost is based on the following assumptions:

	2000	1999	1998
Health care cost trend rate	**7.5%**	8.0%	8.5%
Ultimate health care cost trend rate	**5.5%**	5.5%	5.0%
Year achieved	**2005**	2005	2005

Notes to Consolidated Financial Statements

The effect of a one-percentage-point increase or decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic other postretirement health care benefit cost and the accumulated other postretirement benefit obligation for health care benefits are as follows:

Millions of dollars	1% Increase	1% Decrease
Effect on health care cost	$0.2	$(0.3)
Effect on postretirement obligation	2.9	(3.4)

Long-Term Equity Compensation Plan

The Long-Term Equity Compensation Plan (the Plan) became effective January 1, 2000. The Plan provides for grants of incentive and nonqualified stock options, stock appreciation rights, restricted stock, performance shares and performance units to certain key employees. The Plan currently authorizes the issuance of up to five million shares of the Company's common stock, no more than one million of which may be granted in the form of restricted stock. As of December 31, 2000 only nonqualified stock options had been granted. One-third of the options vest on each anniversary of the date of grant until full vesting occurs in the third year. The options expire ten years after the grant date. At December 31, 2000, no stock options were exercisable, and none were forfeited during the year.

A summary of activity related to grants of nonqualified stock options follows:

	Number of Options	Weighted Average Exercise Price
Outstanding – December 31, 1999	–	–
Granted	160,508	$25.53
Outstanding – December 31, 2000	160,508	$25.53

The Company applies the intrinsic value method prescribed by APB 25 and related interpretations in accounting for grants made under the Plan. Because all options were granted with exercise prices equal to the fair market value of the Company's stock on the respective grant dates, no compensation expense has been recognized in connection with such grants. If the Company had determined compensation expense for the issuance of options based on the fair value method described in SFAS 123, "Accounting for Stock-Based Compensation," net income and earnings per share for 2000 would have been reduced to the pro forma amounts presented below:

Net income – as reported (millions)	$250.4
Net income – pro forma (millions)	250.3
Basic earnings per share and diluted – as reported	2.40
Basic earnings per share and diluted – pro forma	2.40

For purposes of the above pro forma information, the weighted average fair value at grant date (the value at grant date of the right to purchase stock at a fixed price for an extended time period) for options granted in 2000 was $4.51 and was estimated using the Black-Scholes Option pricing model with the following weighted average assumptions.

Expected life of option (years)	10
Risk free interest rate	5.99%
Volatility of underlying stock	21%
Dividend yield of underlying stock	4.4%

Notes to Consolidated Financial Statements

6. LONG-TERM DEBT

The annual amounts of long-term debt maturities and sinking fund requirements for the years 2001 through 2005 are summarized as follows:

(Millions of dollars)			
Year	Amount	Year	Amount
2001	$41.0	2004	$186.3
2002	887.3	2005	182.0
2003	447.5		

Approximately $23.5 million of the portion of long-term debt payable in 2001 may be satisfied by either deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits, or by deposit of cash with the Trustee.

On August 7, 1996 the City of Charleston executed 30-year electric and gas franchise agreements with SCE&G. In consideration for the electric franchise agreement, SCE&G is paying the City $25 million over seven years (1996-2002) and has donated to the City the existing transit assets in Charleston. The $25 million is included in electric plant-in-service. In settlement of environmental claims the City may have had against SCE&G involving the Calhoun Park area, where SCE&G and its predecessor companies operated an MGP until the 1960's, SCE&G paid the City $26 million over a four-year period (1996-1999).

SCE&G has three-year revolving lines of credit totaling $75 million, in addition to other lines of credit, that provide liquidity for issuance of commercial paper. The three-year lines of credit provide back-up liquidity when commercial paper outstanding is in excess of $175 million. The long-term nature of the lines of credit allow commercial paper in excess of $175 million to be classified as long-term debt. SCE&G's commercial paper outstanding totaled $117.5 million and $143.1 million at December 31, 2000 and 1999, at weighted average interest rates of 6.59 percent and 6.63 percent, respectively.

Substantially all utility plant is pledged as collateral in connection with long-term debt.

The Company has a $300 million credit agreement with banks. At December 31, 2000 the entire amount was outstanding .

7. FUEL FINANCINGS

Nuclear and fossil fuel inventories and sulfur dioxide emission allowances are financed through the issuance by Fuel Company of short-term commercial paper. These short-term borrowings are supported by a 364-day revolving credit agreement which expires December 19, 2001. The credit agreement provides for a maximum amount of $125 million to be outstanding at any time. Since the credit agreement expires within one year, commercial paper amounts outstanding have been classified as short-term debt.

Commercial paper outstanding totaled $70.2 million at December 31, 2000 and 1999, at weighted average interest rates of 6.59 percent and 6.44 percent, respectively.

8. SHORT-TERM BORROWINGS

The Company pays fees to banks as compensation for its committed lines of credit. Commercial paper borrowings are for 270 days or less. Details of lines of credit (including uncommitted lines of credit) and short-term borrowings, excluding amounts classified as long-term (Note 6), at December 31, 2000 and 1999, are as follows:

Millions of dollars	**2000**	1999
Authorized lines of credit at year-end	**$649.0**	$558.3
Unused lines of credit at year-end	**$564.0**	$505.0
Short-term borrowings outstanding at year-end:		
Bank loans	**$85.0**	$53.2
Weighted average interest rate	**7.48%**	7.80%
Commercial paper	**$312.7**	$213.3
Weighted average interest rate	**6.63%**	6.63%

Notes to Consolidated Financial Statements

9. COMMON EQUITY

The changes in "Common Stock," without par value, during 2000, 1999 and 1998 are summarized as follows:

	Number of Shares	Millions of Dollars
Balance at December 31, 1997	107,321,113	$1,152.9
Repurchase of common stock	(3,748,490)	(110.0)
Balance at December 31, 1998	103,572,623	1,042.9
Changes in common stock	–	–
Balance at December 31, 1999	103,572,623	1,042.9
Issuance of common stock	17,413,011	487.7
Repurchase of common stock	(16,256,503)	(487.7)
Balance at December 31, 2000	104,729,131	$1,042.9

The Restated Articles of Incorporation of the Company do not limit the dividends that may be payable on its common stock. However, the Restated Articles of Incorporation of SCE&G and the Indenture underlying its First and Refunding Mortgage Bonds contain provisions that, under certain circumstances, could limit the payment of cash dividends on its common stock. In addition, with respect to hydroelectric projects, the Federal Power Act requires the appropriation of a portion of certain earnings therefrom. At December 31, 2000 approximately $32.7 million of retained earnings were restricted by this requirement as to payment of cash dividends on SCE&G's common stock.

Cash dividends on common stock were declared during 2000, 1999 and 1998 at an annual rate per share of $1.15, $1.32 and $1.54, respectively.

10. PREFERRED STOCK

The call premium of the respective series of preferred stock in no case exceeds the amount of the annual dividend. Retirements under sinking fund requirements are at par values. The aggregate annual amount of purchase fund or sinking fund requirements for preferred stock for the years 2001 through 2005 is $2.8 million.

The changes in "Total Preferred Stock (Subject to purchase or sinking funds)" during 2000, 1999 and 1998 are summarized as follows:

	Number of Shares	Millions of Dollars
Balance at December 31, 1997	251,094	$12.5
Shares Redeemed - $50 par value	(11,042)	(0.5)
Balance at December 31, 1998	240,052	12.0
Shares Redeemed - $50 par value	(8,565)	(0.4)
Balance at December 31, 1999	231,487	11.6
Shares Redeemed - $50 par value	(11,200)	(0.6)
Balance at December 31, 2000	220,287	$11.0

On October 28, 1997 SCE&G Trust I (the "Trust"), a wholly owned subsidiary of SCE&G, issued $50 million (2,000,000 shares) of 7.55 percent Trust Preferred Securities, Series A (the "Preferred Securities"). SCE&G owns all of the Common Securities of the Trust (the "Common Securities"). The Preferred Securities and the Common Securities (the "Trust Securities") represent undivided beneficial ownership interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the Trust Securities and using the proceeds thereof to purchase from SCE&G its 7.55 percent Junior Subordinated Debentures due September 30, 2027. The sole asset of the Trust is $50.0 million of Junior Subordinated Debentures of SCE&G. Accordingly, no financial statements of the Trust are presented. SCE&G's obligations under the Guarantee Agreement entered into in connection with the Preferred Securities, when taken together with SCE&G's obligation to make interest and other payments on the Junior Subordinated Debentures issued to the Trust and SCE&G's obligations under the Indenture pursuant to which the Junior Subordinated Debentures were issued, provides a full and unconditional guarantee by SCE&G of the Trust's obligations under the Preferred Securities. Proceeds were used to redeem preferred stock of SCE&G.

The preferred securities of the Trust are redeemable only in conjunction with the redemption of the related 7.55 percent Junior Subordinated Debentures. The Junior Subordinated Debentures will mature on September 30, 2027 and may be redeemed, in whole or in part, at any time on or after September 30, 2002 or upon the occurrence of a Tax Event. A Tax Event occurs if an opinion is received from counsel experienced in such matters that there is more than an insubstantial risk that: (1) the Trust is or will be subject to Federal income tax, with respect to income received or accrued on the Junior Subordinated Debentures, (2) interest payable by SCE&G on the Junior Subordinated Debentures will not be deductible, in whole or in part, by SCE&G for Federal income tax purposes, or (3) the Trust will be subject to more than a de minimis amount of other taxes, duties, or other governmental charges.

Upon the redemption of the Junior Subordinated Debentures, payment will simultaneously be applied to redeem Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Junior Subordinated Debentures. The Preferred Securities are redeemable at $25 per preferred security plus accrued distributions.

11. INCOME TAXES

Total income tax expense attributable to income before cumulative effect of accounting change for 2000, 1999 and 1998 is as follows:

Millions of dollars	**2000**	1999	1998
Current taxes			
Federal	**$88.2**	$94.5	$114.8
State	**9.2**	0.6	2.2
Total current taxes	**97.4**	95.1	117.0
Deferred taxes, net:			
Federal	**29.8**	6.1	2.3
State	**4.7**	1.5	2.0
Total deferred taxes	**34.5**	7.6	4.3
Investment tax credits:			
Deferred – State	**5.0**	13.4	14.3
Amortization of amounts deferred – State	**(1.3)**	(1.2)	(0.9)
Amortization of amounts deferred – Federal	**(4.0)**	(3.6)	(3.6)
Total investment tax credits	**(0.3)**	8.6	9.8
Non-conventional fuel tax credits:			
Deferred - Federal	**9.4**	n/a	n/a
Total income tax expense	**$141.0**	$111.3	$131.1

The difference between actual income tax expense and the amount calculated from the application of the statutory Federal income tax rate (35% for 2000, 1999 and 1998) to pre-tax income before cumulative effect of accounting change is reconciled as follows:

Millions of dollars	**2000**	1999	1998
Income before cumulative effect of accounting change	**$221.6**	$179.0	$223.4
Total income tax expense:			
Charged to operating expense	**152.0**	112.9	136.2
Credited to other items	**(11.0)**	(1.6)	(5.1)
Preferred stock dividends	**7.4**	7.4	7.5
Total pre-tax income	**$370.0**	$297.7	$362.0
Income taxes on above at statutory Federal income tax rate	**$129.5**	$104.2	$126.7
Increases (decreases) attributed to:			
State income taxes (less Federal income tax effect)	**11.4**	9.3	11.4
Non-deductible book amortization of acquisition adjustments	**5.0**	0.4	0.4
Amortization of Federal investment tax credits	**(4.0)**	(3.6)	(3.6)
Other differences, net	**(0.9)**	1.0	(3.8)
Total income tax expense	**$141.0**	$111.3	$131.1

Notes to Consolidated Financial Statements

The tax effects of significant temporary differences comprising the Company's net deferred tax liability of $819.2 million at December 31, 2000 and $789.2 million at December 31, 1999 (see Note 1I), are as follows:

Millions of dollars	**2000**	1999
Deferred tax assets:		
Unamortized investment tax credits	**$63.0**	$62.8
Other postretirement benefits	**40.6**	36.6
Early retirement programs	**14.6**	14.8
Deferred compensation	**8.8**	8.8
Cycle billing	**-**	15.5
Other	**27.4**	19.0
Total deferred tax assets	**154.4**	157.5
Deferred tax liabilities:		
Property, plant and equipment	**765.5**	665.4
Investments in equity securities	**80.0**	184.7
Pension plan benefit income	**65.3**	50.7
Research and experimentation costs	**26.8**	27.3
Deferred fuel costs	**18.5**	5.5
Cycle billing	**1.9**	–
Other	**15.6**	13.1
Total deferred tax liabilities	**973.6**	946.7
Net deferred tax liability	**$819.2**	$789.2

The Internal Revenue Service has examined and closed consolidated Federal income tax returns of the Company through 1995, has examined and proposed adjustments to the Company's 1996 and 1997 Federal returns, and is currently examining the Company's Federal returns for 1998 and 1999. The Company does not anticipate that any adjustments which might result from these examinations will have a significant impact on its results of operations, cash flows or financial position.

12. FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2000 and 1999 are as follows:

Millions of dollars	**2000**		1999	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Assets:				
Cash and temporary cash investments	**$158.7**	**$158.7**	$116.0	$116.0
Investments	**681.7**	**1,234.5**	941.8	1,952.4
Liabilities:				
Short-term borrowings	**397.7**	**397.7**	266.5	266.5
Long-term debt	**2,890.5**	**2,931.9**	1,865.8	1,830.7
Preferred stock (subject to purchase or sinking funds)	**11.0**	**8.7**	11.6	8.5

The information presented herein is based on pertinent available information as of December 31, 2000 and 1999. Although the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such financial instruments have not been comprehensively revalued since December 31, 2000, and the current estimated fair value may differ significantly from the estimated fair value at that date.

The following methods and assumptions were used to estimate the fair value of the above classes of financial instruments:

- Cash and temporary cash investments, including commercial paper, repurchase agreements, treasury bills and notes, are valued at their carrying amount.

- Fair values of investments and long-term debt are based on quoted market prices of the instruments or similar instruments. For debt instruments for which there are no quoted market prices available, fair values are based on net present value calculations. For investments for which the fair value is not readily determinable, fair value approximates cost. Settlement of long-term debt may not be possible or may not be considered prudent.

- Short-term borrowings are valued at their carrying amount.

- The fair value of preferred stock (subject to purchase or sinking funds) is estimated on the basis of market prices.

- Potential taxes and other expenses that would be incurred in an actual sale or settlement have not been taken into consideration.

At December 31, 2000 SCANA Communications Holdings, Inc. (SCH), a wholly owned, indirect subsidiary of SCANA, held the following investments in ITC Holding Company, Inc. (ITC) and its affiliates:

- Powertel, Inc. (Powertel) is a publicly traded company that owns and operates personal communications services (PCS) systems in several major Southeastern markets. SCH owns approximately 4.9 million common shares of Powertel at a cost of approximately $77.7 million. Powertel common stock closed at $61.9375 per share on December 31, 2000, resulting in an unrealized pre-tax holding gain of $228.8 million (a decline of $189.0 million from December 31, 1999). Accumulated other comprehensive income includes the after-tax amount of all unrealized holding gains and losses on common shares. In addition, SCH owns the following series of non-voting convertible preferred shares, at the approximate cost noted: 100,000 shares series B ($75.1 million); 50,000 shares series D ($22.5 million); and 50,000 shares 6.5 percent series E ($75.0 million). Cumulative dividends on preferred series E shares are generally paid in common shares of Powertel and are accrued quarterly. Preferred series B shares become convertible in March 2002 at a conversion price of $16.50 per common share or approximately 4.6 million common shares. Preferred series D shares become convertible in March 2002 at a conversion price of $12.75 per common share or approximately 1.7 million common shares. Preferred series E shares become convertible in June 2003 at a conversion price of $22.01 per common share or approximately 3.4 million common shares. The market value of the convertible preferred shares of Powertel is not readily determinable. However, as converted, the market value of the underlying common shares for the preferred shares was approximately $606.9 million at December 31, 2000, reflecting an unrecorded pre-tax holding gain of $434.3 million (a decline of $368.4 million from December 31, 1999).

  On August 28, 2000 SCH announced that under terms of separate definitive agreements, Powertel has agreed to be acquired by either Deutsche Telekom AG (DT) or VoiceStream Wireless Corporation (VoiceStream). If DT's previously announced acquisition of VoiceStream is successfully completed, then DT would also acquire Powertel. If the DT - VoiceStream transaction is not completed, then VoiceStream would acquire Powertel. In connection with these transactions, SCH entered into stockholder agreements with each of DT and VoiceStream pursuant to which SCH agreed to vote its Powertel shares in support of either of these transactions. In addition, SCH agreed to certain restrictions on disposition of its Powertel shares and the shares it would receive in either of these transactions.

- ITC^DeltaCom, Inc. (ITCD) is a fiber optic telecommunications provider. SCH owns approximately 5.1 million common shares of ITCD at a cost of approximately $43.0 million. ITCD common stock closed at $5.39 per share on December 31, 2000, resulting in an unrealized pre-tax holding loss of $15.4 million (a decline of $113.7 million from December 31, 1999). Accumulated other comprehensive income includes the after-tax amount of all unrealized holding gains and losses on common shares. In addition, SCH owns 1,480,771 shares of series A preferred stock of ITCD at a cost of approximately $11.2 million. Series A preferred shares become convertible in March 2002 into 2,961,542 shares of ITCD common stock. The market value of series A preferred stock of ITCD is not readily determinable. However, as converted, the market value of the underlying common stock for the series A preferred stock was approximately $16.0 million at December 31, 2000, reflecting an unrecorded pre-tax holding gain of $4.8 million (a decline of $65.8 million from December 31, 1999).

- Knology, Inc. (Knology) is a broad-band service provider of cable television, telephone and internet services. SCH owns $71,050,000 face amount of 11.875% Senior Discount Notes due 2007 of Knology Broadband, Inc., a wholly-owned subsidiary of Knology. The Senior Discount Notes have a book basis at December 31, 2000 of approximately $57.9 million. In

Notes to Consolidated Financial Statements

addition, SCH owns approximately 7.2 million shares of Knology Series A Convertible Preferred Stock with a cost basis of approximately $5.0 million and warrants to purchase approximately 0.2 million shares of Series A Convertible Preferred Stock. On January 12, 2001 SCH invested $25.0 million for approximately 8.3 million shares of Series C Convertible Preferred Stock of Knology. The market value of these investments is not readily determinable.

- ITC holds ownership interests in several Southeastern communications companies, including those discussed above. SCH owns approximately 3.1 million common shares, 645,153 series A convertible preferred shares, and 133,664 series B convertible preferred shares of ITC. These investments cost approximately $5.8 million, $7.2 million, and $4.0 million, respectively. The market values of these investments are not readily determinable.

13. COMMITMENTS AND CONTINGENCIES

A. Lake Murray Dam Reinforcement

On October 15, 1999 FERC notified SCE&G of its agreement with SCE&G's plan to reinforce Lake Murray Dam in order to maintain the lake in case of an extreme earthquake. SCE&G and FERC are discussing possible reinforcement alternatives for the dam over the past several years as part of SCE&G's ongoing hydroelectric operating license with FERC. Until discussions are concluded, it is not possible to finalize the cost of the project; however, it is possible that the cost could range up to $250 million. Although any costs incurred by SCE&G are expected to be recoverable through electric rates, SCE&G also is exploring alternative sources of funding. The project is expected to be completed in 2004.

B. Nuclear Insurance

The Price-Anderson Indemnification Act, which deals with public liability for a nuclear incident, currently establishes the liability limit for third-party claims associated with any nuclear incident at $9.5 billion. Each reactor licensee is currently liable for up to $88.1 million per reactor owned for each nuclear incident occurring at any reactor in the United States, provided that not more than $10 million of the liability per reactor would be assessed per year. SCE&G's maximum assessment, based on its two-thirds ownership of Summer Station, would be approximately $58.7 million per incident, but not more than $6.7 million per year.

SCE&G currently maintains policies (for itself and on behalf of Santee Cooper) with Nuclear Electric Insurance Limited (NEIL). The policies covering the nuclear facility for property damage, excess property damage and outage cost permit assessments under certain conditions to cover insurer's losses. Based on the current annual premium, SCE&G's portion of the retrospective premium assessment would not exceed $8.1 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from a nuclear incident at Summer Station exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that SCE&G's rates would not recover the cost of any purchased replacement power, SCE&G will retain the risk of loss as a self-insurer. SCE&G has no reason to anticipate a serious nuclear incident at Summer Station. If such an incident were to occur, it could have a material adverse impact on the Company's results of operations, cash flows and financial position.

C. Environmental

South Carolina Electric & Gas Company

In September 1992 the Environmental Protection Agency (EPA) notified SCE&G, the City of Charleston and the Charleston Housing Authority of their potential liability for the investigation and cleanup of the Calhoun Park area site in Charleston, South Carolina. This site encompasses approximately 30 acres and includes properties which were locations for industrial operations, including a wood preserving (creosote) plant, one of SCE&G's decommissioned MGPs, properties owned by the National Park Service and the City of Charleston, and private properties. The site has not been placed on the National Priorities List, but may be added in the future. The Potentially Responsible Parties (PRPs) negotiated an administrative order by consent for the conduct of a Remedial Investigation/Feasibility Study and a corresponding Scope of Work. Field work began in November 1993, and the EPA approved a Remedial Investigation Report in February 1997 and a Feasibility Study Report in June 1998. In July 1998 the EPA approved SCE&G's Removal Action Work Plan for soil excavation. SCE&G completed Phase One of the Removal Action in 1998 at a cost of approximately $1.5 million. Phase Two, which cost approximately $3.5 million, included excavation and installation of several permanent barriers to mitigate coal tar seepage. On September 30, 1998 a Record of Decision was issued which sets forth the EPA's view of the extent of each PRP's responsibility for site contamination and the level to which the site must be remediated. SCE&G estimates that the Record of Decision will result in costs of approximately $13.3 million, of which approximately $2 million

remains. On January 13, 1999 the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action directing SCE&G to design and carry out a plan of remediation for the Calhoun Park site. SCE&G submitted a Comprehensive Remedial Design Work Plan (RDWP) on December 17, 1999 and proceeded with implementation pending agency approval. The RDWP was approved by the EPA in July 2000, and its implementation continues.

In October 1996 the City of Charleston and SCE&G settled all environmental claims the City may have had against SCE&G involving the Calhoun Park area for a payment of $26 million over four years (1996-1999) by SCE&G to the City. SCE&G is recovering the amount of the settlement, which does not encompass site assessment and cleanup costs, through rates in the same manner as other amounts accrued for site assessments and cleanup. As part of the environmental settlement, SCE&G constructed an 1,100 space parking garage on the Calhoun Park site (construction was completed in April 2000) and transferred the facility to the City in exchange for a $16.5 million, 18-year municipal bond collateralized by revenues from, and a mortgage on, the parking garage.

SCE&G owns three other decommissioned MGP sites which contain residues of by-product chemicals. For the site located in Sumter, South Carolina, effective September 15, 1998, SCE&G entered into a Remedial Action Plan Contract with DHEC pursuant to which it agreed to undertake a full site investigation and remediation under the oversight of DHEC. Site investigation and characterization are proceeding according to schedule. Upon selection and successful implementation of a site remedy, DHEC will give SCE&G a Certificate of Completion, and a covenant not to sue. For the site located in Florence, South Carolina, SCE&G entered into a similar Remedial Action Plan Contract with DHEC effective September 5, 2000. SCE&G is continuing to investigate the remaining site in Columbia, and is monitoring the nature and extent of residual contamination.

Public Service Company of North Carolina, Incorporated

PSNC owns, or has owned, all or portions of seven sites in North Carolina on which MGPs were formerly operated. Intrusive investigation (including drilling, sampling and analysis) has begun at only one site, and the remaining sites have been evaluated using historical records and observations of current site conditions. These evaluations have revealed that MGP residuals are present or suspected at several of the sites. The North Carolina Department of Environment and Natural Resources has recommended that no further action be taken with respect to one site. An environmental due diligence review of PSNC conducted in February 1999 estimated that the cost to remediate the remaining sites would range between $11.3 million and $21.9 million. During the second quarter of 2000, the review was finalized and the estimated liability was recorded. PSNC is unable to determine the rate at which costs may be incurred over this time period. The estimated cost range has not been discounted to present value. PSNC's associated actual costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other PRPs. An order of the NCUC dated May 11, 1993 authorized deferral accounting for all costs associated with the investigation and remediation of MGP sites. As of December 31, 2000, PSNC has recorded a liability and associated regulatory asset of $10.2 million, which reflects the minimum amount of the range, net of shared cost recovery from other PRPs. Amounts incurred to date are not material. Management intends to request recovery of additional MGP cleanup costs not recovered from other PRPs in future rate case filings, and believes that all costs incurred will be recoverable in gas rates.

D. Franchise Agreement

See Note 6 for a discussion of the electric franchise agreement between SCE&G and the City of Charleston.

E. Claims and Litigation

The Company and Westvaco each own a 50 percent interest in Cogen South LLC (Cogen). Cogen was formed to build and operate a cogeneration facility at Westvaco's Kraft Division Paper Mill in North Charleston, South Carolina. The facility began operations in March 1999. On September 10, 1998 the contractor in charge of construction filed suit in South Carolina Circuit Court seeking approximately $52 million from Cogen, alleging that construction cost overruns relating to the facility were incurred and that the construction contract provides for recovery of these costs. In addition to Cogen, Westvaco, SCE&G and the Company are also named as defendants in the suit. The Company and the other defendants believe the suit is without merit and are mounting an appropriate defense. The Company does not believe that the resolution of this issue will have a material impact on its results of operations, cash flows or financial position.

On December 2, 1999 an unsuccessful bidder for the purchase of the propane gas assets of SCANA filed suit against SCANA in South Carolina Circuit Court seeking unspecified damages. The suit alleges the existence of a contract for the sale of assets to the plaintiff and various causes of action associated with that contract. The Company is confident in its position and intends to vigorously defend the lawsuit. The Company does not believe that the resolution of this issue will have a material impact on its results of operations, cash flows or financial position.

Notes to Consolidated Financial Statements

The Company is also engaged in various other claims and litigation incidental to its business operations which management anticipates will be resolved without material loss to the Company.

14. SEGMENT OF BUSINESS INFORMATION

The Company's reportable segments, based on combined revenues from external and internal sources, are Electric Operations, Gas Distribution, Gas Transmission, Retail Gas Marketing and Energy Marketing. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company records intersegment sales and transfers of electricity and gas based on rates established by the appropriate regulatory authority. Non-regulated sales and transfers are recorded at current market prices.

Electric Operations is comprised of the electric portion of SCE&G, GENCO and Fuel Company and is primarily engaged in the generation, transmission and distribution of electricity. SCE&G's electric service territory extends into 24 counties covering more than 15,000 square miles in the central, southern and southwestern portions of South Carolina. Sales of electricity to industrial, commercial and residential customers are regulated by the PSC. SCE&G is also regulated by FERC. GENCO owns and operates the Williams Station generating facility and sells all of its electric generation to SCE&G. GENCO is regulated by FERC. Fuel Company acquires, owns and provides financing for the fuel and emission allowances required for the operation of SCE&G and GENCO generation facilities.

Gas Distribution, comprised of the local distribution operations of SCE&G and PSNC, is engaged in the purchase and sale, primarily at retail, of natural gas. SCE&G's operations extend to 31 counties in South Carolina covering approximately 21,000 square miles. PSNC was acquired by SCANA in 2000. PSNC's operations cover 25 counties in North Carolina and approximately 11,500 square miles. Gas Transmission is comprised of Pipeline Corporation, which is engaged in the purchase, transmission and sale of natural gas on a wholesale basis to distribution companies (including SCE&G), and directly to industrial customers in 40 counties throughout South Carolina. Pipeline Corporation also owns LNG liquefaction and storage facilities. Both of these segments are regulated by the state commission in their respective state of operations.

Retail Gas Marketing markets natural gas in Georgia's deregulated natural gas market. Energy Marketing markets electricity, natural gas and other light hydrocarbons, primarily in the Southeast.

The Company's regulated reportable segments share a similar regulatory environment and, in some cases, overlapping service areas. However, Electric Operations' product differs from the other segments, as does its generation process and method of distribution. The gas segments differ from each other primarily based on the class of customers each serves and the marketing strategies resulting from those differences. The marketing segments are non-regulated but differ from each other primarily based on their respective markets.

Disclosure of Reportable Segments

Millions of dollars

2000	Electric Operations	Gas Distribution	Gas Transmission	Retail Gas Marketing	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,344	$745	$253	$548	$544	$41	$(42)	$3,433
Intersegment Revenue	318	1	236	-	-	9	(564)	-
Operating Income (Loss)	446	85	28	n/a	n/a	-	(5)	554
Interest Expense	13	20	4	5	1	26	156	225
Depreciation & Amortization	155	53	7	1	-	5	(4)	217
Income Tax Expense (Benefit)	1	23	8	1	(1)	(4)	113	141
Net Income (Loss)	7	19	16	4	(4)	(6)	214	250
Segment Assets	4,953	1,628	309	103	215	685	(473)	7,420
Expenditures for Assets	229	58	18	-	-	8	48	361
Deferred Tax Assets	6	-	3	5	4	1	(19)	-

Notes to Consolidated Financial Statements

1999	Electric Operations	Gas Distribution	Gas Transmission	Retail Gas Marketing	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,226	$234	$188	$207	$224	$73	$(74)	$2,078
Intersegment Revenue	308	5	154	–	–	11	(478)	–
Operating Income (Loss)	390	22	20	n/a	n/a	–	(79)	353
Interest Expense	12	n/a	4	4	1	23	98	142
Depreciation & Amortization	148	13	7	1	1	7	(8)	169
Income Tax Expense (Benefit)	1	n/a	9	(24)	(2)	21	106	111
Net Income (Loss)	6	n/a	14	(45)	(4)	22	186	179
Segment Assets	4,751	399	253	(24)	168	932	(468)	6,011
Expenditures for Assets	201	19	8	2	1	6	24	261
Deferred Tax Assets	6	n/a	3	–	1	1	5	16

1998	Electric Operations	Gas Distribution	Gas Transmission	Retail Gas Marketing	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,220	$225	$185	3	$565	$68	$(160)	$2,106
Intersegment Revenue	286	5	145	–	–	8	(444)	–
Operating Income (Loss)	436	29	27	n/a	n/a	–	(22)	470
Interest Expense	11	n/a	4	–	–	19	89	123
Depreciation & Amortization	126	12	7	–	–	7	(7)	145
Income Tax Expense (Benefit)	–	n/a	8	(4)	(3)	(2)	132	131
Net Income (Loss)	6	n/a	16	(8)	(7)	(4)	220	223
Segment Assets	4,600	381	239	2	71	503	(515)	5,281
Expenditures for Assets	205	19	11	2	2	17	47	303
Deferred Tax Assets	5	n/a	3	–	–	4	10	22

Revenues and assets from segments below the quantitative thresholds are attributable to SCE&G's transit operations, which are regulated by the PSC, and to nine other wholly owned subsidiaries of the Company. These subsidiaries conduct non-regulated operations in energy-related and telecommunications industries. None of these subsidiaries met any of the quantitative thresholds for determining reportable segments in 2000, 1999 or 1998.

Management uses operating income to measure segment profitability for regulated operations. For non-regulated operations, management uses net income for this purpose. Accordingly, SCE&G does not allocate interest charges or income tax expense (benefit) to the Electric Operations or Gas Distribution segments. Similarly, management evaluates utility plant for segments attributable to SCE&G and total assets for SCE&G as a whole, as well as for other operating segments. Therefore, SCE&G does not allocate accumulated depreciation, common and non-utility plant, or deferred tax assets to reportable segments. However, GENCO and PSNC do have interest charges, income taxes and deferred tax assets, which are included in Electric Operations and Gas Distribution, respectively. Interest income is not reported by segment and is not material. For 2000, adjustments to net income and income tax expense include the effect of the accounting change described in Note 2.

The Consolidated Financial Statements report operating revenues which are comprised of the reportable segments. Revenues from non-reportable segments are included in Other Income. Therefore, the adjustments to total revenue remove revenues from non-reportable segments. Adjustments to Net Income consist of SCE&G's unallocated net income.

Adjustments to assets consist of various reclassifications made for external reporting purposes. Segment assets include utility plant only (excluding accumulated depreciation) for Electric Operations, Gas Distribution and Transit Operations, and all assets for Gas Transmission and the remaining non-reportable segments. As a result, unallocated assets include accumulated depreciation, offset in part by common, non-utility and non-regulated plant for SCANA and SCE&G, and by non-fixed assets for Electric Operations, Gas Distribution and Transit Operations.

Adjustments to Interest Expense, Income Tax Expense (Benefit) and Deferred Tax Assets include primarily the totals from SCANA or SCE&G that are not allocated to the segments. Interest Expense is also adjusted to eliminate inter-affiliate charges. Adjustments to depreciation and amortization consist of non-reportable segment expenses, which are not included in the depreciation and amortization reported on a consolidated basis. Deferred Tax Assets are also adjusted to remove the non-current portion of those assets.

Notes to Consolidated Financial Statements

15. SUBSEQUENT EVENTS

On January 24, 2001 SCANA issued $202 million two-year floating rate notes maturing on January 24, 2003. The interest rate is reset quarterly based on a three-month LIBOR plus 110 basis points. Also on January 24, 2001 SCE&G issued $150 million First Mortgage Bonds having an annual interest rate of 6.70 percent and maturing on February 1, 2011. On February 16, 2001 PSNC issued $150 million of medium-term notes having an annual interest rate of 6.625 percent and maturing on February 15, 2011. The proceeds from these borrowings were used to reduce short-term debt and for general corporate purposes.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Millions of dollars, except per share amounts

2000	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Annual**
Total operating revenues	**$821**	**$662**	**$816**	**$1,134**	**$3,433**
Operating income	**172**[(1)]	**99**	**146**	**137**	**554**
Income before cumulative effect of accounting change	**75**	**28**	**59**	**59**	**221**
Cumulative effect of accounting change, net of taxes	**29**	**–**	**–**	**–**	**29**
Net income	**104**	**28**	**59**	**59**	**250**
Basic and diluted earnings per share before cumulative effect of accounting change	**.72**	**.27**	**.56**	**.57**	**2.12**
Cumulative effect of accounting change, net of taxes	**.28**	**–**	**–**	**–**	**.28**
Basic and diluted earnings per share	**1.00**	**.27**	**.56**	**.57**	**2.40**

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues	$546	$435	$558	$539	$2,078
Operating income	88	69	135	61	353
Net income	37	24	67	51	179
Basic and diluted earnings per share	.36	.23	.65	.49	1.73

[(1)]Excludes $52 million of income taxes that were formerly reported in first quarter operating income.

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

Statements included in this discussion and analysis (or elsewhere in this annual report) which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: (1) that the information is of a preliminary nature and may be subject to further and/or continuing review and adjustment, (2) changes in the utility regulatory environment, (3) changes in the economy, especially in areas served by the Company's subsidiaries, (4) the impact of competition from other energy suppliers, (5) growth opportunities for the Company's regulated and diversified subsidiaries, (6) the results of financing efforts, (7) changes in the Company's accounting policies, (8) weather conditions, especially in areas served by the Company's subsidiaries, (9) performance of and marketability of the Company's investments in telecommunications companies, (10) inflation, (11) changes in environmental regulations and (12) the other risks and uncertainties described from time to time in the Company's periodic reports filed with the SEC. The Company disclaims any obligation to update any forward-looking statements.

COMPETITION

Regulated Electric and Gas Markets

Efforts to restructure electric markets at the state level have slowed considerably. Dwindling operating reserves and rolling blackouts in parts of California in January and February 2001 have been widely reported nationwide. These shortages of electricity have been attributed to flawed state restructuring legislation, unplanned generating plant shutdowns and other economic factors. In response, many states that had passed or considered legislation to restructure the electric industry have stopped such efforts or are proceeding more slowly.

In South Carolina, electric restructuring efforts also have stalled. The developments unfolding in California, and several unrelated, contentious issues before the General Assembly have combined to make consideration of electric restructuring legislation unlikely in 2001. Legislation or regulatory action at the Federal level, particularly as a part of a larger energy policy initiative, may be considered in 2001. The Company is not able to predict whether any restructuring legislation or regulatory action will be enacted and, if it is, the conditions it will impose on utilities.

The Company has taken several steps to prepare for restructuring, including aggressive participation in the newly deregulated natural gas market in Georgia (further discussed at Georgia Retail Gas Market below). In addition, SCANA's electric and gas utility, SCE&G, has undertaken a variety of initiatives aimed at preparing for a restructured electric market. These initiatives include obtaining accelerated recovery of electric regulatory assets, establishing open access transmission tariffs and selling bulk power to wholesale customers at market-based rates. Marketing of services to commercial and industrial customers has also increased significantly, and SCE&G has obtained long term power supply contracts with a significant portion of its industrial customers. The Company believes that these actions, as well as numerous others that have been and will be taken, demonstrate its ability and commitment to succeed in the evolving operating environment.

Regulated public utilities are allowed to record as assets some costs that would be expensed by other enterprises. If deregulation or other changes in the regulatory environment occur, the Company may no longer be eligible to apply this accounting treatment and may be required to eliminate such regulatory assets from its balance sheet. Although the potential effects of deregulation cannot be determined at present, discontinuation of the accounting treatment could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded. It is expected that cash flows and the financial position of the Company would not be materially affected by the discontinuation of the accounting treatment. The Company reported approximately $244 million and $75 million of regulatory assets and liabilities, respectively, including amounts recorded for deferred income tax assets and liabilities of approximately $140 million and $57 million, respectively, on its balance sheet at December 31, 2000.

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

The Company's generation assets are exposed to considerable financial risks in a deregulated electric market. If market prices for electric generation do not produce adequate revenue streams and the enabling legislation or regulatory actions do not provide for recovery of the resulting stranded costs, the Company could be required to write down its investment in these assets. The Company cannot predict whether any write-downs will be necessary and, if they are, the extent to which they would adversely affect the Company's results of operations in the period in which they would be recorded. As of December 31, 2000 the Company's net investment in fossil/hydro and nuclear generation assets was $1,332.6 million and $587.2 million, respectively.

North Carolina Gas Market

On February 10, 2000 SCANA completed its acquisition of Public Service Company of North Carolina, Inc. (PSNC) in a transaction valued at approximately $900 million, including the assumption of debt. The transaction has been accounted for as a purchase. PSNC is operated as a wholly-owned subsidiary of SCANA. As a result of the transaction, SCANA became a registered public utility holding company under the Public Utility Holding Company Act of 1935 (PUHCA).

Georgia Retail Gas Market

SCANA Energy, the retail gas division of SCANA Energy Marketing, Inc., has been aggressively marketing natural gas to residential and commercial customers in Georgia. SCANA Energy is Georgia's second largest gas marketer, with approximately 432,000 customers at December 31, 2000, or approximately a 30% market share. For purposes of comparison, SCANA Energy had approximately 431,000 customers at December 31, 1999 and 78,000 at December 31, 1998. In 2000 SCANA Energy successfully transitioned from start up to ongoing operations and for the year ended December 31, 2000 recognized net earnings of approximately $4.4 million. SCANA Energy's strategy includes the determination of methodologies to serve all customer classes profitability and developing programs that will enhance relationships with those customers and attract similar new customers. In addition SCANA Energy has successfully employed a gas supply hedging strategy and has maintained a price structure that is both competitive and profitable. The level of future revenues and expenditures is dependent on several factors, including SCANA Energy's ability to retain customers and market share, the weather, the margin achieved on gas sales and its ability to find industrial interruptible customers to purchase available capacity.

Proposed Interstate Pipeline

Pipeline Corporation, a wholly owned subsidiary of the Company, is developing plans for an interstate natural gas pipeline to ensure adequate supplies to growing gas markets. The anticipated interstate pipeline will require Pipeline Corporation to file an application for approval with the FERC and other federal and state agencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements arise primarily from SCE&G's and PSNC's operational needs, the Company's construction program, the need to fund the activities or investments of SCANA's nonregulated subsidiaries and payment of dividends. The ability of SCANA's regulated subsidiaries to replace existing plant investment, as well as to expand to meet future demand for electricity and gas, will depend upon their ability to attract the necessary financial capital on reasonable terms. SCANA's regulated subsidiaries recover the costs of providing services through rates charged to customers. Rates for regulated services are generally based on historical costs. As customer growth and inflation occur and the regulated subsidiaries continue their ongoing construction programs, it may be necessary to seek increases in rates. As a result, the Company's future financial position and results of operations will be affected by the regulated subsidiaries' ability to obtain adequate and timely rate and other regulatory relief, if requested.

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

The revised estimated primary cash requirements for 2001 and the actual primary cash requirements for 2000, excluding requirements for fuel liabilities and short-term borrowings, are as follows:

Millions of dollars	2001	**2000**
Property additions and construction expenditures, net of allowance for funds used during construction	$501	**$332**
Nuclear fuel expenditures	26	**29**
Investments	25	**20**
Maturing obligations, redemptions and sinking and purchase fund requirements	14	**284**
Total	$566	**$665**

Approximately 39% of total cash requirements (after payment of dividends) was provided from internal sources in 2000 as compared to 16% in 1999.

The Company anticipates that its 2001 cash requirements of $566 million will be met through internally generated funds (approximately 61%, after payment of dividends) and the incurrence of additional short-term and long-term indebtedness. Sales of additional equity securities may also occur. The Company expects that it has or can obtain adequate sources of financing to meet its projected cash requirements for the next 12 months and for the foreseeable future.

SCANA and PSNC each have in effect a medium-term note program for the issuance from time to time of unsecured medium-term debt securities. At December 31, 2000 SCANA had registered with the SEC and available for issuance $1 billion under this program, the proceeds of which may be used to refinance indebtedness incurred in connection with the acquisition of PSNC, to fund additional business activities in nonutility subsidiaries, to reduce short-term debt or for general corporate purposes. On February 14, 2001 PSNC registered $150 million of medium-term notes with the SEC.

SCE&G's First and Refunding Mortgage Bond Indenture, dated April 1, 1945 (Old Mortgage), contains provisions prohibiting the issuance of additional bonds thereunder (Class A Bonds) unless net earnings (as therein defined) for 12 consecutive months out of the 18 months prior to the month of issuance are at least twice the annual interest requirements on all Class A Bonds to be outstanding (Bond Ratio). For the year ended December 31, 2000 the Bond Ratio was 6.43. The Old Mortgage allows the issuance of additional Class A Bonds to an additional principal amount equal to (i) 70 percent of unfunded net property additions (which unfunded net property additions totaled approximately $1,452 million at December 31, 2000), (ii) retirements of Class A Bonds (which retirement credits totaled $68.4 million at December 31, 2000), and (iii) cash on deposit with the Trustee.

SCE&G is subject to a bond indenture dated April 1, 1993 (New Mortgage) covering substantially all of its electric properties under which its future mortgage-backed debt (New Bonds) will be issued. New Bonds are issued under the New Mortgage on the basis of a like principal amount of Class A Bonds issued under the Old Mortgage which have been deposited with the Trustee of the New Mortgage (of which $665 million were available for such purpose at December 31, 2000). New Bonds will be issuable under the New Mortgage only if adjusted net earnings (as therein defined) for 12 consecutive months out of the 18 months immediately preceding the month of issuance are at least twice the annual interest requirements on all outstanding bonds (including Class A Bonds) and New Bonds to be outstanding (New Bond Ratio). For the year ended December 31, 2000 the New Bond Ratio was 6.34.

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

The following additional financing transactions have occurred since January 1, 2000:

- On February 8, 2000 the Company issued $400 million of two-year floating rate notes maturing February 8, 2002. The interest rate on the notes is reset quarterly based on a three-month LIBOR plus 50 basis points. The proceeds from these privately sold notes were used to consummate SCANA's acquisition of PSNC. On February 10, 2000 SCANA borrowed $300 million for a three-year term under a credit agreement with several banks. These funds also were used to consummate SCANA's acquisition of PSNC.

- On June 14, 2000 SCE&G issued $150 million of First Mortgage Bonds having an annual interest rate of 7.50 percent and maturing on June 15, 2005. The proceeds from the sale of these bonds were used to pay the maturity of SCE&G's $100 million First Mortgage Bonds due June 15, 2000, to reduce short-term debt and for general corporate purposes.

- On July 13, 2000 SCANA issued $300 million two-year floating rate notes maturing on July 15, 2002. The interest rate is reset quarterly based on a three-month LIBOR plus 65 basis points. Proceeds from the debt were used to repay medium-term notes totaling $170 million, to reduce short-term debt and for general corporate purposes.

- On January 24, 2001 SCANA issued $202 million two-year floating rate notes maturing on January 24, 2003. The interest rate is reset quarterly based on a three-month LIBOR plus 110 basis points. Proceeds from the debt were used to reduce short-term debt and for general corporate purposes.

- On January 24, 2001 SCE&G issued $150 million First Mortgage Bonds having an annual interest rate of 6.70 percent and maturing on February 1, 2011. The proceeds from the sale of these bonds were used to reduce short-term debt and for general corporate purposes.

- On February 16, 2001 PSNC issued $150 million of medium-term notes having an annual interest rate of 6.625 percent and maturing on February 15, 2011. These funds were used to reduce short-term debt and for general corporate purposes.

The Company's electric and natural gas businesses are seasonal in nature, with the primary demand for electricity being experienced during summer and winter and the primary demand for natural gas being experienced during winter. As a result of the significant increase during the latter half of 2000 in the cost to the Company of natural gas and the colder than normal weather experienced in December, the Company experienced significant increases in its working capital requirements, contributing to the need for the financings by SCANA and PSNC in early 2001 described above.

Without the consent of at least a majority of the total voting power of SCE&G's preferred stock, SCE&G may not issue or assume any unsecured indebtedness if, after such issue or assumption, the total principal amount of all such unsecured indebtedness would exceed ten percent of the aggregate principal amount of all of SCE&G's secured indebtedness and capital and surplus; however, no such consent is required to enter into agreements for payment of principal, interest and premium for securities issued for pollution control purposes.

Pursuant to Section 204 of the Federal Power Act, SCE&G and GENCO must obtain Federal Energy Regulatory Commission (FERC) authority to issue short-term debt. FERC has authorized SCE&G to issue up to $250 million of unsecured promissory notes or commercial paper with maturity dates of 12 months or less, but not later than December 31, 2002. GENCO has not sought such authorization.

At December 31, 2000 SCE&G had $250 million of unused authorized lines of credit which include a credit agreement for a maximum of $250 million to support the issuance of commercial paper. SCE&G's commercial paper outstanding at December 31, 2000 and 1999 was $117.5 million and $143.1 million, respectively. In addition, Fuel Company has a credit agreement for a maximum of $125 million with the full amount available at December 31, 2000. The credit agreement supports the issuance of short-term commercial paper for the financing of nuclear and fossil fuels and sulfur dioxide

emission allowances. Fuel Company commercial paper outstanding at December 31, 2000 was $70.2 million. This commercial paper and amounts outstanding under the revolving credit agreement, if any, are guaranteed by SCE&G.

At December 31, 2000 PSNC had $125 million authorized lines of credit which includes a credit agreement for a maximum of $125 million to support the issuance of commercial paper. Unused lines of credit at December 31, 2000 totaled $125 million. PSNC's commercial paper outstanding on December 31, 2000 was $125 million.

SCE&G's Restated Articles of Incorporation prohibit issuance of additional shares of preferred stock without consent of the preferred stockholders unless net earnings (as defined therein) for the 12 consecutive months immediately preceding the month of issuance are at least one and one-half times the aggregate of all interest charges and preferred stock dividend requirements (Preferred Stock Ratio). For the year ended December 31, 2000 the Preferred Stock Ratio was 2.09.

As a result of SCANA's acquisition of PSNC on February 10, 2000, PSNC shareholders were paid $212 million in cash and 17.4 million shares of SCANA common stock. In connection with this transaction, certain SCANA shareholders were paid $488 million in cash for 16.3 million shares of SCANA common stock. During 2000, shares for the Stock Purchase Savings Plan and the Investor Plus Plan were purchased on the open market.

On September 21, 1999 SCE&G announced a $256 million gas turbine generator project in Aiken County, South Carolina. Two combined-cycle turbines will burn natural gas to produce 300 megawatts of new electric generation and use exhaust heat to replace coal-fired steam that powers two existing 75 megawatt turbines at the Urquhart Generating Station. The turbine project is scheduled to be completed by June 2002.

On October 15, 1999 FERC notified SCE&G of its agreement with SCE&G's plan to reinforce Lake Murray Dam in order to maintain the lake in case of an extreme earthquake. SCE&G and FERC are discussing possible reinforcement alternatives for the dam over the past several years as part of SCE&G's ongoing hydroelectric operating license with FERC. Until discussions are concluded, it is not possible to finalize the cost of the project; however, it is possible that the cost could range up to $250 million. Although any costs incurred by SCE&G are expected to be recoverable through electric rates, SCE&G also is exploring alternative sources of funding. The project is expected to be completed in 2004.

On October 7, 2000 Summer Station was removed from service for a planned maintenance and refueling outage scheduled to last 38 1/2 days. During initial inspection activities, plant personnel discovered a small leak coming from a hole in a weld in a primary coolant system pipe. SCE&G performed extensive ultrasonic testing of similar welds in the cooling system, which confirmed that the problem was limited to this single weld. A root cause analysis determined that the cause of the crack was primary water stress corrosion cracking. The repair involved cutting out a twelve-inch long spool of the pipe, which included the entire weld, and installing a new spool piece. Repairs have been completed and the integrity of the new weld has been verified through extensive testing. The plant is expected to be returned to service in March 2001. The NRC was closely involved throughout this process and approved SCE&G's actions to repair the crack, as well as the restart schedule. SCE&G will continue to monitor primary coolant system pipes during the next outage, scheduled for Spring of 2002. SCE&G recorded a pretax charge of approximately $6 million in the fourth quarter of 2000 to expense repair costs to date. Additional costs that may be recorded in the first quarter of 2001 are not expected to be material. The cost of replacement power is expected to be recovered through SCE&G's electric fuel adjustment clause.

In January 2001 SCE&G's 385 megawatt coal-fired Cope Generating Station was taken out of service due to an electrical ground in the generator. The unit is expected to be returned to service in Spring 2001. The cost of replacement power is expected to be recovered through SCE&G's fuel adjustment clause.

SCANA and Westvaco each own a 50 percent interest in Cogen South LLC (Cogen). Cogen was formed to build and operate a cogeneration facility at Westvaco's Kraft Division Paper Mill in North Charleston, South Carolina. The facility began operations in March 1999. On September 10, 1998 the contractor in charge of construction filed suit in South Carolina

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

Circuit Court (Circuit Court) seeking approximately $52 million from Cogen, alleging that it incurred construction cost overruns relating to the facility and that the construction contract provides for recovery of these costs. In addition to Cogen, Westvaco, SCE&G and SCANA were also named as defendants in the suit. SCANA and the other defendants believe the suit is without merit and are mounting an appropriate defense. SCANA does not believe that the resolution of this issue will have a material impact on its results of operations, cash flows or financial position.

Environmental Matters

The Clean Air Act (CAA) required electric utilities to reduce emissions of sulfur dioxide and nitrogen oxide substantially by the year 2000. These requirements were phased in over two periods. The first phase had a compliance date of January 1, 1995 and the second, January 1, 2000. The Company's facilities did not require modifications to meet the requirements of Phase I. The Company is meeting the Phase II requirements through the burning of natural gas and/or lower sulfur coal in its generating units and the purchase and use of sulfur dioxide emission allowances. Low nitrogen oxide burners have been installed to reduce nitrogen oxide emissions to the levels required by Phase II. The Environmental Protection Agency (EPA) has indicated that it will propose regulations for stricter limits on mercury and other toxic pollutants generated by coal-fired plants by December 2003 and will begin developing these regulations shortly.

SCE&G and GENCO filed compliance plans with DHEC related to Phase II sulfur dioxide requirements in 1995 and Phase II oxides of nitrogen (NOx) requirements in 2000, 1999, 1998 and 1997. The Company currently estimates that air emissions control equipment will require capital expenditures of $141 million over the 2001-2005 period to retrofit existing facilities, with increased operation and maintenance costs of approximately $18 million per year. To meet compliance requirements for the years 2006 through 2010, the Company anticipates additional capital expenditures of approximately $5 million.

In October 1998 the EPA issued a final rule requiring 22 states, including South Carolina, to modify their state implementation plans (SIP) to address the issue of NOx pollution. On May 25, 1999 a federal appeals court delayed indefinitely the implementation of the rule. On March 3, 2000 the court affirmed the EPA's NOx rule for the affected states. South Carolina was subsequently ordered to amend its SIP to achieve significant NOx reductions. South Carolina failed to submit a revised SIP as required under the CAA, and the EPA has issued official notice to South Carolina (and a number of other states) to comply. While not final, South Carolina has proposed NOx reductions that would require the Company to install pollution control equipment. Because DHEC had not amended its SIP as of December 31, 2000 to set out or allocate any NOx reductions, it is not possible to estimate what, if any, capital expenditures will be required to comply with any potential mandated reductions.

The EPA has undertaken an aggressive enforcement initiative against the industry and the Department of Justice (DOJ) has brought suit against a number of utilities in federal court alleging violations of the CAA. Prior to the suits, those utilities had received requests for information under Section 114 of the CAA, and were issued Notices of Violation prior to the suits. The basis for these suits is the claim by the EPA that maintenance activities undertaken by the utilities over the past 20 or more years constitute "major modifications" which would have required the installation of costly Best Available Control Technology (BACT). SCE&G has received and responded to Section 114 requests for information related to its Canadys, Wateree and Williams Stations. Similar requests have been sent to a number of other utilities nationwide. The regulations under the CAA provide certain exemptions to the definition of "major modifications," particularly an exemption for routine repair, replacement or maintenance. The Company has analyzed each of the activities covered by the EPA's requests and believes each activity represents prudent practice regularly performed throughout the utility industry as necessary to maintain the operational efficiency and safety of equipment. As such, the Company believes that each of these activities is covered by the exemption for routine repair, replacement and maintenance and that the EPA is changing, or attempting to change through enforcement actions, the intent and meaning of its regulations. The Company also believes that, even if some of the activities in question were found not to qualify for the routine exemption, there were no increases either in annual emissions or in the maximum hourly emissions achievable at any of the units caused by any of the activities. The regulations provide an exemption for increased hours of operation or production rate and for increases in emissions

resulting from demand growth. It is possible that the EPA will eventually commence enforcement actions against SCE&G relative to those plants. The EPA has the authority to seek penalties for the alleged violations in question at the rate of up to $27,500 per day for each violation. The EPA also would seek installation of BACT (or equivalent) at the three plants as well. The Company believes that the EPA's and DOJ's claims are without merit, and that any enforcement action, up to and including a lawsuit resulting from this issue, will not have a material adverse effect on the Company's financial position or results of operations.

The Federal Clean Water Act, as amended, provides for the imposition of effluent limitations that require various levels of treatment for each waste water discharge. Under this Act, compliance with applicable limitations is achieved under a national permit program. Discharge permits have been issued for all and renewed for nearly all of SCE&G's and GENCO's generating units. Concurrent with renewal of these permits, the permitting agency has implemented a more rigorous program in monitoring and controlling thermal discharges and strategies for toxicity reduction in wastewater streams. The Company has been developing compliance plans for these initiatives. Amendments to the Clean Water Act proposed in Congress include several provisions which, if passed, could prove costly to SCE&G and GENCO. These include, but are not limited to, limitations to mixing zones and the implementation of technology-based standards. In December 2000 SCE&G entered into a Consent Order with DHEC related to a malfunction of the waste water treatment facility at Hagood Station. The order requires SCE&G to correct the violation.

The Company maintains an environmental assessment program to identify and assess current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and clean up each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate primarily to regulated operations. Such amounts are deferred and amortized with recovery provided through rates.

SCE&G has also recovered portions of its environmental liabilities through settlements with various insurance carriers, including all amounts previously deferred for its electric operations. SCE&G expects to recover all deferred amounts related to its gas operations by December 2005. Deferred amounts, net of amounts recovered through rates and insurance settlements, totaled $20.2 million and $23.7 million at December 31, 2000 and 1999, respectively. The deferral includes the estimated costs associated with the following matters.

- In September 1992 the EPA notified SCE&G, the City of Charleston and the Charleston Housing Authority of their potential liability for the investigation and cleanup of the Calhoun Park area site in Charleston, South Carolina. This site encompasses approximately 30 acres and includes properties which were locations for industrial operations, including a wood preserving (creosote) plant, one of SCE&G's decommissioned manufactured gas plants (MGP), properties owned by the National Park Service and the City of Charleston and private properties. The site has not been placed on the National Priorities List, but may be added in the future. The Potentially Responsible Parties (PRPs) negotiated an administrative order by consent for the conduct of a Remedial Investigation/Feasibility Study and a corresponding Scope of Work. Field work began in November 1993, and the EPA approved a Remedial Investigation Report in February 1997 and a Feasibility Study Report in June 1998. In July 1998 the EPA approved SCE&G's Removal Action Work Plan for soil excavation. SCE&G completed Phase One of the Removal Action in 1998 at a cost of approximately $1.5 million. Phase Two, which cost approximately $3.5 million, included excavation and installation of several permanent barriers to mitigate coal tar seepage. On September 30, 1998 a Record of Decision was issued which sets forth the EPA's view of the extent of each PRP's responsibility for site contamination and the level to which the site must be remediated. SCE&G estimates that the Record of Decision will result in costs of approximately $13.3 million, of which approximately $2 million remains to be incurred. On January 13, 1999 the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action directing SCE&G to design and carry out a plan of remediation for the Calhoun Park site. SCE&G submitted a Comprehensive Remedial Design Work Plan (RDWP) on December 17, 1999 and proceeded with implementation pending agency approval. The RDWP was approved by the EPA in July 2000, and its implementation continues.

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

In October 1996 the City of Charleston and SCE&G settled all environmental claims the City may have had against SCE&G involving the Calhoun Park area for a payment of $26 million over four years (1996-1999) by SCE&G to the City. SCE&G is recovering the amount of the settlement, which does not encompass site assessment and cleanup costs, through rates in the same manner as other amounts accrued for site assessments and cleanup as discussed above. As part of the environmental settlement, SCE&G constructed an 1,100 space parking garage on the Calhoun Park site (construction was completed in April 2000) and transferred the facility to the City in exchange for a $16.5 million, 18-year municipal bond collaterized by revenues from, and a mortgage on, the parking garage.

- SCE&G owns three other decommissioned MGP sites which contain residues of by-product chemicals. For the site located in Sumter, South Carolina, effective September 15, 1998, SCE&G entered into a Remedial Action Plan Contract with DHEC pursuant to which it agreed to undertake a full site investigation and remediation under the oversight of DHEC. Site investigation and characterization are proceeding according to schedule. Upon selection and successful implementation of a site remedy, DHEC will give SCE&G a Certificate of Completion, and a covenant not to sue. For the site located in Florence, South Carolina, SCE&G entered into a similar Remedial Action Plan Contract with DHEC effective September 5, 2000. SCE&G is continuing to investigate the remaining site in Columbia, and is monitoring the nature and extent of residual contamination.

In addition, PSNC owns, or has owned, all or portions of seven sites in North Carolina on which MGPs were formerly operated. Intrusive investigation (including drilling, sampling and analysis) has begun at only one site, and the remaining sites have been evaluated using historical records and observations of current site conditions. These evaluations have revealed that MGP residuals are present or suspected at several of the sites. The North Carolina Department of Environment and Natural Resources has recommended that no further action be taken with respect to one site. An environmental due diligence review of PSNC conducted in February 1999 estimated that the cost to remediate the remaining sites would range between $11.3 million and $21.9 million. During the second quarter of 2000, the review was finalized and the estimated liability was recorded. PSNC is unable to determine the rate at which costs may be incurred over this time period. The estimated cost range has not been discounted to present value. PSNC's associated actual costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other PRPs. An order of the NCUC dated May 11, 1993 authorized deferral accounting for all costs associated with the investigation and remediation of MGP sites. At December 31, 2000 PSNC has recorded a liability and associated regulatory asset of $10.2 million, which reflects the minimum amount of the range, net of shared cost recovery from other PRPs.

Regulatory Matters

South Carolina Electric & Gas Company

On July 20, 2000 the PSC issued an order approving SCE&G's request for an out-of-period adjustment to increase the cost of gas component of its rates for natural gas service from 54.334 cents per therm to 68.835 cents per therm, effective with the first billing cycle in August 2000. As part of its regularly scheduled annual review of gas costs, the PSC issued an order on November 9, 2000 which further increased the cost of gas component to 78.151 cents per therm, effective with the first billing cycle in November 2000. On December 21, 2000 the PSC issued an order approving SCE&G's request for another out-of-period adjustment to increase the cost of gas component to 99.340 cents per therm, effective with the first billing cycle in January 2001.

On July 5, 2000 the PSC approved SCE&G's request to implement lower depreciation rates for its gas operations. The new rates were effective retroactively to January 1, 2000 and will result in a reduction in annual depreciation expense of approximately $2.9 million.

On September 14, 1999 the PSC approved an accelerated capital recovery plan for SCE&G's Cope Generating Station. The plan was implemented January 1, 2000 for a three-year period. The PSC approved an accelerated capital recovery methodology wherein SCE&G may increase depreciation of its Cope Generating Station in excess of amounts that would

be recorded based upon currently approved depreciation rates. The amount of the accelerated depreciation will be determined by SCE&G based on the level of revenues and operating expenses, not to exceed $36 million annually without the approval of the PSC. Any unused portion of the $36 million in any given year may be carried forward for possible use in the following year. As of December 31, 2000 no accelerated depreciation has been recorded. The accelerated capital recovery plan will be accomplished through existing customer rates.

On December 11, 1998 the PSC issued an order requiring SCE&G to reduce retail electric rates on a prospective basis. The PSC acted in response to SCE&G reporting that it earned a 13.04 percent return on common equity for its retail electric operations for the 12 months ended September 30, 1998. This return on common equity exceeded SCE&G's authorized return of 12.0 percent by 1.04 percent, or $22.7 million, primarily as a result of record-breaking heat experienced during the summer. The order required prospective rate reductions on a per kilowatt-hour basis, based on actual retail sales for the 12 months ended September 30, 1998. On January 12, 1999 the PSC denied SCE&G's motion for reconsideration, ruled that no further rate action was required, and reaffirmed SCE&G's authorized return on equity of 12.0 percent. The rate reductions were placed into effect with the first billing cycle of January 1999.

On January 9, 1996 the PSC issued an order granting SCE&G an increase in retail electric rates which were fully implemented by January 1997. The PSC authorized a return on common equity of 12.0 percent. The PSC also approved establishment of a Storm Damage Reserve capped at $50 million to be collected through rates over a ten-year period. Additionally, the PSC approved accelerated recovery of a significant portion of SCE&G's electric regulatory assets (excluding deferred income tax assets) and the remaining transition obligation for postretirement benefits other than pensions, changing the amortization periods to allow recovery by the end of the year 2000. SCE&G's request to shift, for rate-making purposes, approximately $257 million of depreciation reserves from transmission and distribution assets to nuclear production assets was also approved. The Consumer Advocate and two other intervenors appealed certain issues in the order initially to the Circuit Court, which affirmed the PSC's decisions, and subsequently, to the South Carolina Supreme Court (Supreme Court). In March 1998, SCE&G, the PSC, the Consumer Advocate and one of the other intervenors reached an agreement that provided for the reversal of the shift in depreciation reserves and the dismissal of the appeal of all other issues. The PSC also authorized SCE&G to adjust depreciation rates that had been approved in the 1996 rate order for its electric transmission, distribution and nuclear production properties to eliminate the effect of the depreciation reserve shift and to retroactively apply such depreciation rates to February 1996. As a result, a one-time reduction in depreciation expense of $9.8 million was recorded in March 1998. The agreement does not affect retail electric rates. The FERC had previously rejected the transfer of depreciation reserves for rates subject to its jurisdiction. In September 1998 the Supreme Court affirmed the Circuit Court's rulings on the issues contested by the remaining intervenor.

In 1994 the PSC issued an order approving SCE&G's request to recover through a billing surcharge to its gas customers the costs of environmental cleanup at the sites of former MGPs. The billing surcharge is subject to annual review and provides for the recovery of substantially all actual and projected site assessment and cleanup costs and environmental claims settlements for SCE&G's gas operations that had previously been deferred. In November 2000, as a result of the annual review, the PSC approved SCE&G's request to maintain the billing surcharge at $.011 per therm to provide for the recovery of the remaining balance of $20.1 million.

In September 1992 the PSC issued an order granting SCE&G's request for a $.25 increase in transit fares from $.50 to $.75 in Columbia, South Carolina; however, the PSC also required $.40 fares for low income customers and denied SCE&G's request to reduce the number of routes and frequency of service. The new rates were placed into effect in October 1992. SCE&G appealed the PSC's order to the Circuit Court, which in May 1995 ordered the case back to the PSC for reconsideration of several issues including the low income rider program, routing changes, and the $.75 fare. The Supreme Court declined to review an appeal of the Circuit Court decision and dismissed the case. The PSC and other intervenors filed another Petition for Reconsideration, which the Supreme Court denied. The PSC and other intervenors filed another appeal to the Circuit Court which the Circuit Court denied in an order dated May 9, 1996. In this order, the Circuit Court upheld its previous orders and remanded them to the PSC. During August 1996 the PSC heard oral arguments on the orders on remand from

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

the Circuit Court. On September 30, 1996 the PSC issued an order affirming its previous orders and denied SCE&G's request for reconsideration. In response to an appeal of the PSC's order by SCE&G, the Circuit Court issued an order on May 25, 2000, which remanded the matter to the PSC for review of SCE&G's original application and request to terminate the low income rider fare. On September 27, 2000 the PSC issued an order granting the relief requested by SCE&G. On September 29, 2000 the Consumer Advocate filed a motion with the PSC for a stay of this order to which SCE&G filed a response. On October 3, 2000 the PSC accepted the Consumer Advocate's motion and issued a stay of its order. The Consumer Advocate and other intervenors have petitioned the Circuit Court for judicial review of the PSC's order granting relief. Action by the Circuit Court is pending.

Public Service Company of North Carolina, Incorporated

A state expansion fund, established by the North Carolina General Assembly in1991 and funded by refunds from PSNC's interstate pipeline transporters, provides financing for expansion into areas that otherwise would not be economically feasible to serve. On December 30, 1999 PSNC filed an application with the NCUC to extend natural gas service to Madison, Jackson and Swain Counties, North Carolina. Pursuant to state statutes, the NCUC required PSNC to forfeit its exclusive franchises to serve six counties in western North Carolina effective January 31, 2000 because these counties were not receiving any natural gas service. Madison, Jackson and Swain Counties were included in the forfeiture order. On June 29, 2000 the NCUC approved PSNC's requests for reinstatement of its exclusive franchises for Madison, Jackson and Swain Counties and disbursement of up to $28.4 million from PSNC's expansion fund for this project. PSNC estimates that the cost of this project will be approximately $31.4 million.

On December 7, 1999 the NCUC issued an order approving the acquisition of PSNC by the Company. As specified in the NCUC order, PSNC reduced its rates by approximately $1 million in August 2000, will reduce rates another $1 million in August 2001 and has agreed to a five-year moratorium on general rate cases. General rate relief can be obtained during this period to recover costs associated with materially adverse governmental actions and force majeure events.

On February 22, 1999 the NCUC approved PSNC's application to use expansion funds to extend natural gas service into Alexander County and authorized disbursements from the fund of approximately $4.3 million based upon budgeted construction cost of approximately $6.2 million. Most of Alexander County lies within PSNC's certificated service territory and did not previously have natural gas service. The project was completed and customers began receiving natural gas service in March, 2000.

On October 30, 1998 the NCUC issued an order in PSNC's general rate case filed in April 1998. The order, effective November 1, 1998, granted PSNC additional revenue of $12.4 million and allowed a 9.82 percent overall rate of return on PSNC's net utility investment. It also approved the continuation of the Weather Normalization Adjustment and Rider D Mechanisms and full margin transportation rates. PSNC's Rider D rate mechanism authorizes the recovery of all prudently incurred gas costs from customers on a monthly basis. Any difference in amounts paid and collected for these costs is deferred for subsequent refund to or collection from customers. On February 4, 2000, in response to an appeal by CUCA, the Supreme Court of North Carolina affirmed the NCUC order.

On November 6, 1997 the NCUC issued an order permitting PSNC, on a trial basis, to establish its commodity cost of gas for large commercial and industrial customers on the basis of market prices for natural gas. PSNC's request for permanent approval of this mechanism was approved by the NCUC via an order issued April 6, 2000.

The Company's regulated business operations were impacted by the National Energy Policy Act of 1992 (NEPA) and FERC Orders No. 636 and 888. NEPA was designed to create a more competitive wholesale power supply market by creating "exempt wholesale generators" and by potentially requiring utilities owning transmission facilities to provide transmission access to wholesalers. Order No. 636 was intended to deregulate the markets for interstate sales of natural gas by requiring that pipelines provide transportation services that are equal in quality for all gas suppliers whether the customer purchases gas from the pipeline or another supplier. In the opinion of the Company, it continues to be able to meet successfully the challenges of these altered business climates and does not anticipate any material adverse impact on the results of operations, cash flows, financial position or business prospects.

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

Other

At December 31, 2000 SCANA Communications Holdings, Inc. (SCH), a wholly owned, indirect subsidiary of SCANA, held the following investments in ITC Holding Company, Inc. (ITC) and its affiliates:

- Powertel, Inc. (Powertel) is a publicly traded company that owns and operates personal communications services (PCS) systems in several major Southeastern markets. SCH owns approximately 4.9 million common shares of Powertel at a cost of approximately $77.7 million. Powertel common stock closed at $61.9375 per share on December 31, 2000, resulting in a pre-tax unrealized holding gain of $228.8 million (a decline of $189.0 million from December 31, 1999). Accumulated other comprehensive income includes the after-tax amount of all unrealized holding gains and losses on common shares. In addition, SCH owns the following series of non-voting convertible preferred shares, at the approximate cost noted: 100,000 shares series B ($75.1 million); 50,000 shares series D ($22.5 million); and 50,000 shares 6.5 percent series E ($75.0 million). Cumulative dividends on preferred series E shares are generally paid in common shares of Powertel and are accrued quarterly. Preferred series B shares become convertible in March 2002 at a conversion price of $16.50 per common share or approximately 4.6 million common shares. Preferred series D shares become convertible in March 2002 at a conversion price of $12.75 per common share or approximately 1.7 million common shares. Preferred series E shares become convertible in June 2003 at a conversion price of $22.01 per common share or approximately 3.4 million common shares. The market value of the convertible preferred shares of Powertel is not readily determinable. However, as converted, the market value of the underlying common shares for the preferred shares was approximately $606.9 million at December 31, 2000, reflecting an unrecorded pre-tax holding gain of $434.3 million (a decline of $368.4 million from December 31, 1999).

  On August 28, 2000 SCH announced that under terms of separate definitive agreements, Powertel has agreed to be acquired by either Deutsche Telekom AG (DT) or VoiceStream Wireless Corporation (VoiceStream). If DT's previously announced acquisition of VoiceStream is successfully completed, then DT would also acquire Powertel. If the DT - VoiceStream transaction is not completed, then VoiceStream would acquire Powertel. In connection with these transactions, SCH entered into stockholder agreements with each of DT and VoiceStream pursuant to which SCH agreed to vote its Powertel shares in support of either of these transactions. In addition, SCH agreed to certain restrictions on disposition of its Powertel shares and the shares it would receive in either of these transactions.

- ITC^DeltaCom, Inc. (ITCD) is a fiber optic telecommunications provider. SCH owns approximately 5.1 million common shares of ITCD at a cost of approximately $43.0 million. ITCD common stock closed at $5.39 per share on December 31, 2000, resulting in a pre-tax unrealized holding loss of $15.4 million (a decline of $113.7 million from December 31, 1999). Accumulated other comprehensive income includes the after-tax amount of all unrealized holding gains and losses on common shares. In addition, SCH owns 1,480,771 shares of series A preferred stock of ITCD at a cost of approximately $11.2 million. Series A preferred shares become convertible in March 2002 into 2,961,542 shares of ITCD common stock. The market value of series A preferred stock of ITCD is not readily determinable. However, as converted, the market value of the underlying common stock for the series A preferred stock was approximately $16.0 million at December 31, 2000, reflecting an unrecorded pre-tax holding gain of $4.8 million (a decline of $65.8 million from December 31, 1999).

- Knology, Inc. (Knology) is a broad-band service provider of cable television, telephone and internet services. SCH owns $71,050,000 face amount of 11.875% Senior Discount Notes due 2007 of Knology Broadband, Inc., a wholly-owned subsidiary of Knology. The Senior Discount Notes have a book basis at December 31, 2000 of approximately $57.9 million. In addition, SCH owns approximately 7.2 million shares of Knology Series A Convertible Preferred Stock with a cost basis of approximately $5.0 million and warrants to purchase approximately 0.2 million shares of Series A Convertible Preferred Stock. On January 12, 2001 SCH invested $25.0 million for approximately 8.3 million shares of Series C Convertible Preferred Stock of Knology. The market value of these investments is not readily determinable.

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

- ITC holds ownership interests in several Southeastern communications companies, including those discussed above. SCH owns approximately 3.1 million common shares, 645,153 series A convertible preferred shares, and 133,664 series B convertible preferred shares of ITC. These investments cost approximately $5.8 million, $7.2 million, and $4.0 million, respectively. The market values of these investments are not readily determinable.

In June 1998 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000 the FASB issued SFAS 138, which amends certain provisions of SFAS 133 to expand the normal purchase and sale exemption for supply contracts and to redefine interest rate risk to reduce sources of ineffectiveness, among other things. The Company utilizes various derivatives in its risk management activities, including swaps and commodities futures. The Company adopted SFAS 133, as amended, on January 1, 2001. As a result of adopting SFAS 133, the Company recorded a credit of approximately $23.0 million, net of tax, as the effect of a change in accounting principle (transition adjustment) to other comprehensive income on January 1, 2001. This amount represents the reclassification of unrealized gains that were deferred and reported as liabilities at December 31, 2000. In the future, all gains/losses related to qualifying cash flow hedges deferred in other comprehensive income will be reclassified to earnings at the time the hedged transaction affects earnings.

In December 1999 Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" was issued by the Securities and Exchange Commission (SEC), and provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. The Company's adoption of the bulletin in the fourth quarter of 2000 had no impact on its results of operations, cash flows or financial position.

RESULTS OF OPERATIONS

Earnings and Dividends

Earnings per share of common stock and the rate of return earned on common equity for 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Earnings derived from:			
Continuing operations	**$2.12**	$1.39	$2.07
Non-recurring gains	–	.34	.05
Cumulative effect of accounting change, net of taxes	**.28**	–	–
Earnings per weighted average share	**$2.40**	$1.73	$2.12
Return earned on common equity	**12.3%**	8.5%	12.8%

- 2000 vs 1999 Earnings derived from continuing operations increased $.73, primarily as a result of improved results from retail gas marketing ($.04 net earnings for 2000 compared to $.45 loss in 1999) and the acquisition of PSNC ($.21). In addition, electric margin improved $.36 (see discussion at Electric Operations), regulated gas margin (excluding PSNC) improved $.07 and pension income increased $.05. These improvements were partially offset by increased interest expense of $.36, a charge for repairs at Summer Station ($.04) and other increases in operations and maintenance ($.05).

- 1999 vs 1998 Earnings derived from continuing operations decreased $.68, primarily as a result of losses from the Company's entry into the Georgia retail gas market ($.37 greater loss in 1999). In addition, electric margin decreased $.12 (see discussion at Electric Operations), gas margin decreased $.04, and expenses were higher for other operations and maintenance ($.04), depreciation and amortization ($.09) and interest expense ($.11). These decreases were partially offset by improved results from energy marketing activities ($.03), the impact of fewer common shares outstanding ($.03), and other ($.03).

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

Pension income recorded by the Company reduced operations expense by $20.9 million, $17.3 million and $16.9 million for the years ended December 31, 2000, 1999 and 1998, respectively. In addition pension income increased other income by $14.6 million, $10.5 million and $9.0 million for the years ended December 31, 2000, 1999 and 1998, respectively. The reductions to operations expense for 1999 and 1998 were substantially offset by accelerated amortization of a significant portion of the transition obligation for postretirement benefits other than pensions and certain regulatory assets as approved by the PSC. Effective July 1, 2000 the Company's pension plan was amended to provide a cash balance formula. The effect of this plan amendment was to reduce net periodic benefit income for the year ended December 31, 2000 by approximately $3.7 million.

Non-recurring gains resulted from the sale of retail propane assets ($.29) and telecommunications towers ($.05) in 1999 and a retroactive change in electric depreciation rates ($.05) in 1998. In 2000 the cumulative effect of an accounting change resulted from the recording of unbilled revenues by SCANA's retail utility subsidiaries (see Note 2 of Notes To Consolidated Financial Statements).

Return on common equity increased in 2000 primarily due to increased earnings and decreased common equity due to a $197 million unrealized loss on the Company's investment in telecommunications securities during the year. Increased earnings related to the cumulative effect of accounting change increased the return on common equity by 1.4 percent in 2000. In addition, the $197 million unrealized loss on the Company's investments in telecommunications securities increased the return on common equity by 1.1 percent in 2000. Return on common equity decreased in 1999 due to decreased earnings and a $311 million unrealized gain on the Company's investments in telecommunications securities. The increase in common equity, without a proportional increase in net income, decreased the return earned on common equity by 1.6 percent in 1999.

The Company's financial statements include AFC. AFC is a utility accounting practice whereby a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the balance sheet as construction work in progress) is capitalized. An equity portion of AFC is included in nonoperating income and a debt portion of AFC is included in interest charges (credits) as noncash items, both of which have the effect of increasing reported net income. AFC represented approximately 2.3 percent of income before income taxes in 2000, 2.4 percent in 1999 and 4.4 percent in 1998.

On February 22, 2000 the Board of Directors set the Company's indicated annual dividend rate on common stock at $1.15 per share.

Electric Operations

Electric Operations is comprised of the electric portion of SCE&G, GENCO and Fuel Company. Electric operations sales margins, including transactions with affiliates and excluding the cumulative effect of accounting change, for 2000, 1999 and 1998 were as follows:

Millions of dollars	**2000**	1999	1998
Operating revenues	**$1,343.8**	$1,226.0	$1,219.8
Less: Fuel used in generation	**(294.9)**	(284.6)	(262.3)
Purchased power	**(82.5)**	(35.9)	(31.5)
Margin	**$966.4**	$905.5	$926.0

- 2000 vs 1999 Sales margin increased primarily due to more favorable weather and customer growth, which were partially offset by higher purchased power costs.
- 1999 vs 1998 Sales margin decreased primarily due to the impact of a rate reduction at SCE&G and milder weather, which were partially offset by customer growth.

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

Increases (decreases) from the prior year in megawatt-hour (MWH) sales volume by classes, excluding volumes attributable to the cumulative effect of accounting change, were as follows:

Classification	2000	% Change	1999	% Change
Residential	**396,179**	**6.3%**	(55,207)	(0.9%)
Commercial	**354,350**	**6.0%**	51,212	0.9%
Industrial	**524,969**	**8.5%**	316,086	5.4%
Sales for Resale (excluding interchange)	**33,505**	**2.8%**	63,306	5.6%
Other	**34,676**	**6.7%**	(17,653)	(3.3%)
Total territorial	**1,343,679**	**6.7%**	357,744	1.8%
Negotiated Market Sales Tariff	**264,257**	**15.7%**	183,442	12.3%
Total	**1,607,936**	**7.4%**	541,186	2.6%

- 2000 vs 1999 Sales volume increased primarily due to more favorable weather and customer growth.
- 1999 vs 1998 Sales volume decreased for residential primarily due to milder weather, which was partially offset by customer growth. Volumes for the remaining classes increased primarily due to customer growth.

Gas Distribution

Gas Distribution is comprised of the local distribution operations of SCE&G and PSNC. Gas distribution sales margins, including transactions with affiliates and excluding the cumulative effect of accounting change, for 2000, 1999 and 1998 were as follows:

Millions of dollars	2000	1999	1998
Operating revenues	**$745.9**	$239.0	$230.4
Less: Gas purchased for resale	**(486.3)**	(152.6)	(142.4)
Margin	**$259.6**	$86.4	$88.0

SCANA acquired PSNC effective January 1, 2000. Therefore, the Company's prior year sales do not include PSNC.

- 2000 vs 1999 Sales margin increased primarily due to the acquisition of PSNC, which contributed $161.5 million, and improved margin at SCE&G due primarily to more favorable weather.
- 1999 vs 1998 Sales margin decreased primarily as a result of higher gas costs.

Increases (decreases) from the prior year in dekatherm (DT) sales volume by classes, including transportation gas and excluding volumes attributable to the cumulative effect of accounting change, were as follows:

Classification	2000	% Change	1999	% Change
Residential	**21,202,100**	**179.3%**	(94,027)	(0.8%)
Commercial	**12,146,337**	**103.8%**	404,654	3.6%
Industrial	**4,472,913**	**24.9%**	644,485	3.7%
Transportation gas	**29,386,000**	**1,488.0%**	(28,732)	(1.4%)
Sales for resale	**407**	**-**	–	–
Total	**67,207,757**	**154.7%**	926,380	2.2%

- 2000 vs 1999 Sales volume increased primarily as a result of the acquisition of PSNC, which accounted for 65.2 million DTs. SCE&G's sales volume increased approximately 2.0 million DTs due to colder weather and customer growth, which were partially offset by curtailments and use of alternate fuels by industrial customers.

- 1999 vs 1998 Sales volume increased primarily as a result of customer growth. Residential volume decreased primarily due to milder weather.

Gas Transmission

Gas Transmission is comprised of Pipeline Corporation. Gas transmission sales margins for 2000, 1999 and 1998, including transactions with affiliates, were as follows:

Millions of dollars	**2000**	1999	1998
Operating revenues	**$489.0**	$342.4	$329.8
Less: Gas purchased for resale	**434.7**	295.1	276.7
Margin	**$54.3**	$47.3	$53.1

- 2000 vs 1999 Sales margin increased primarily as a result of increased contract and sales volumes from the sale for resale classification and margin earned from the competitive industrial customers.

- 1999 vs 1998 Sales margin decreased primarily as a result of increased competition with oil prices and a decrease in the value of released capacity on the intrastate pipeline system.

Increases (decreases) from the prior year in dekatherms (DT) sales volume by classes including transportation were as follows:

Classification	**2000**	**% Change**	1999	% Change
Commercial	**22,132**	**24.2%**	200	0.2%
Industrial	**(5,212,904)**	**(11.7%)**	(916,235)	(2.0%)
Transportation	**10,296**	**0.5%**	(179,029)	(7.4%)
Sale for resale	**3,542,185**	**6.0%**	2,122,252	3.8%
Total	**(1,638,291)**	**(1.6%)**	1,027,188	1.0%

- 2000 vs 1999 Sale for resale volumes increased as a result of colder temperatures. The sales volume for industrial customers decreased due to decreased sales to electric generation facilities and decreased sales to other customers with alternate fuel sources.

- 1999 vs 1998 Sales volumes for sale for resale customers increased for 1999 as a result of customer growth and customer expansion on our sale for resale customers' systems. Transportation and industrial volumes decreased due to increased competition with oil prices.

Retail Gas Marketing

Retail Gas Marketing is comprised of SCANA Energy, a division of SCANA Energy Marketing, Inc., which operates in Georgia's deregulated natural gas market. Retail gas marketing revenues and net income for 2000, 1999 and 1998 were as follows:

Millions of dollars	**2000**	1999	1998
Operating revenues	**$547.3**	$206.6	$3.5
Net income (loss)	**4.4**	(44.8)	(7.9)

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

- 2000 vs 1999 Operating revenues increased as a result of customer growth, favorable weather and a successful gas supply and pricing strategy. Net income increased as a result of the increase in revenue and significant reductions in customer acquisition and advertising expenditures.

- 1999 vs 1998 Operating revenues increased as a result of a full year of operations being reflected in 1999's results. Net loss increased as a result of large expenditures for marketing and advertising being reflected in 1999's results.

Delivered volumes for 2000, 1999 and 1998 totaled approximately 73.8 million, 40.9 million and 0.5 million DT, respectively, which includes interruptible volumes of approximately 30.6 million, 18.9 million and 0.0 million DT for the same periods, respectively. The increases in volumes resulted from customer growth.

Energy Marketing

Energy Marketing is comprised of the Company's non-regulated marketing operations, excluding SCANA Energy. Energy marketing operating revenues and net losses for 2000, 1999 and 1998 were as follows:

Millions of dollars	**2000**	1999	1998
Operating revenues	**$543.3**	$223.3	$564.6
Net loss	**(4.2)**	(3.9)	(6.6)

- 2000 vs 1999 Operating revenues increased primarily due to increased prices for natural gas. Net loss increased primarily due to increased bad debts.

- 1999 vs 1998 Operating revenues and net loss decreased primarily due to the closing of the Houston office.

Delivered volumes for 2000, 1999 and 1998 totaled approximately 83.9 million, 103.7 million and 218.5 million DT, respectively. The decreases in volumes resulted from the closing of the Houston office.

Other Operating Expenses

Increases in other operating expenses were as follows:

Millions of dollars

	2000	**% Change**	1999	% Change
Other operation and maintenance	**$66.1**	**16.1%**	$60.4	17.2%
Depreciation and amortization	**47.4**	**28.1%**	24.3	16.8%
Other taxes	**10.6**	**10.3%**	1.9	1.8%
Total	**$124.1**	**18.2%**	$86.6	14.5%

- 2000 vs 1999 Other operating expenses and taxes increased primarily as a result of the acquisition of PSNC. This acquisition accounted for the following increases: other operation and maintenance ($67.5 million), depreciation and amortization ($41.9 million, of which $13.4 million is attributable to the amortization of the acquisition adjustment), and other taxes ($6.4 million).

  Apart from the PSNC acquisition, other operation and maintenance expense decreased $1.4 million due to pension income (see Earnings and Dividends), which was partially offset by increased maintenance costs for electric generating and distribution facilities. Depreciation and amortization increased

$5.5 million primarily due to normal increases in utility plant. Other taxes increased $4.2 million primarily due to increased property taxes.

- 1999 vs 1998 Other operation and maintenance increased primarily due to costs associated with a cogeneration facility becoming operational, costs associated with an early retirement program and other operating costs. These costs were partially offset by pension income, which in 1998 had been offset by the accelerated amortization of the electric portion of the Company's transition obligation expense for post-retirement benefits and other regulatory assets. Depreciation and amortization increased primarily due to the impact of the non-recurring adjustment to depreciation expense discussed under earnings and dividends, increased amortization due to completion of a new customer billing system and normal increases in utility plant. Other taxes increased primarily due to increased property taxes.

Other Income

Other income decreased approximately $46.6 million for the year 2000 compared to 1999, primarily as a result of 1999 including the sale of nonregulated propane assets and telecommunications towers, which was partially offset by other income at PSNC. Other income increased approximately $71.1 million for the year 1999 compared to 1998, primarily as a result of the sale of assets discussed previously and pension income.

Interest Expense

Increases in interest expense, excluding the debt component of AFC, were as follows:

Millions of dollars

	2000	1999
Interest on long-term debt, net	**$73.8**	$11.4
Other interest expense	**10.6**	3.9
Total	**$84.4**	$15.3

- 2000 vs 1999 Interest expense increased primarily as a result of financing the acquisition of PSNC and related repurchase of SCANA shares ($46.0 million) and interest incurred on PSNC debt that was assumed as a result of the acquisition ($19.6 million). In addition, interest expense increased as a result of increased borrowings and increased weighted average interest rates on long-term and short-term borrowings.

- 1999 vs 1998 Interest expense increased as a result of increased long-term debt and increased weighted average interest rates on long-term and short-term borrowings.

Income Taxes

Income taxes increased approximately $29.7 million for the year 2000 compared to 1999 and decreased approximately $19.8 million for the year 1999 compared to 1998. Changes in income taxes are primarily due to changes in operating income.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All financial instruments held by the Company described below are held for purposes other than trading.

Interest rate risk - The table below provides information about the Company's financial instruments that are sensitive to changes in interest rates. For debt obligations the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

December 31, 2000 (Millions of dollars) Expected Maturity Date

Liabilities	**2001**	**2002**	**2003**	**2004**	**2005**	**Thereafter**	**Total**	**Fair Value**
Long-Term Debt:								
Fixed Rate ($)[1]	**40.9**	**337.3**	**297.2**	**186.3**	**182.0**	**1,267.4**	**2,311.1**	**2,232.2**
Average Fixed Interest Rate	**7.27%**	**7.36%**	**6.38%**	**7.58%**	**7.43%**	**7.35%**	**7.25%**	**-**
Variable Rate ($)	**-**	**550.0**	**150.0**	**-**	**-**	**-**	**700.0**	**699.7**
Average Variable Interest Rate	**-**	**7.26%**	**7.48%**	**-**	**-**	**-**	**7.31%**	**-**

December 31, 1999 (Millions of dollars) Expected Maturity Date

Liabilities	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
Long-Term Debt:								
Fixed Rate ($)[1]	152.5	32.5	32.5	289.3	178.8	1,150.5	1,836.1	1,680.7
Average Fixed Interest Rate	6.20%	6.85%	6.85%	6.17%	7.50%	7.33%	7.05%	–
Variable Rate ($)	150.0	–	–	–	–	–	150.0	150.0
Average Variable Interest Rate	6.45%	–	–	–	–	–	–	–

[1] At December 31, 1999 there were no debt issuances outstanding under the $300 million credit agreement. At December 31, 2000 the entire $300 million was outstanding.

While a decrease in interest rates would increase the fair value of debt, it is unlikely that events which would result in a realized loss will occur.

In addition the Company has invested in a telecommunications company approximately $40 million for 11.875 percent senior discount notes due 2007. The fair value of these notes approximates cost. An increase in market interest rates would result in a decrease in fair value of these notes and a corresponding adjustment, net of tax, to other comprehensive income.

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

Commodity price risk - The table below provides information about the Company's financial instruments that are sensitive to changes in natural gas prices. Weighted average settlement prices are per 10,000 mmbtu.

December 31, 2000 (Millions of dollars) — Expected Maturity in 2001

Natural Gas Derivatives:	**Weighted Avg Settlement Price**	**Contract Amount**	**Fair Value**
Futures Contracts:			
Long	**$6.5870**	**$57.2**	**$81.5**
Short	**$6.2957**	**$1.4**	**$2.1**
SET Futures Contracts[1]:			
Long	**$6.5239**	**$2.8**	**$4.4**
Short	-	-	-

December 31, 1999 (Millions of dollars) — Expected Maturity in 2000

Natural Gas Derivatives:	Weighted Avg Settlement Price	Contract Amount	Fair Value
Futures Contracts:			
Long	$2.3318	$20.0	$19.8
Short	$2.3290	$1.2	$1.1
SET Futures Contracts[1]:			
Long	$2.7161	$5.0	$5.1
Short	$2.7461	$4.7	$4.8

[1]SCANA Energy Trading, LLC (SET) is a 70% owned subsidiary of SCANA Energy Marketing, Inc. Amounts shown are at 100%.

Equity price risk – Certain investments in telecommunications companies' marketable equity securities are carried at their market value of $597.8 million. A ten percent decline in market value would result in a $59.8 million reduction in fair value and a corresponding adjustment, net of tax, to the related equity account for unrealized gains/losses, a component of other comprehensive income.

Investor Information

Corporate Office

SCANA Corporation
1426 Main Street
Columbia, SC 29201-2845
Telephone: (803) 217-9000

Annual Meeting

SCANA Corporation's 2001 Annual Meeting of Shareholders will be held at 10 a.m. on Thursday, May 3, at Leaside, 100 East Exchange Place, Columbia, SC.

Common and Preferred Stock Securities

Stock Exchange Listings

SCANA Corporation's Common Stock is listed and traded on the New York Stock Exchange (NYSE). The trading symbol is *SCG*. The newspaper listing is SCANA. The 5% Series Cumulative Preferred Stock of South Carolina Electric & Gas Company (SCE&G) is listed on the NYSE. The trading symbol is *SAC Pr*. The newspaper listing is SCrE pf. SCE&G's other series of Cumulative Preferred Stock are not listed and market prices are not published. The 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I, is also listed on the NYSE. The trading symbol is *SAC PrT*. The newspaper listing is SCEG Tr pfA.

Dividends

Dividends on SCANA's Common Stock and SCE&G's Cumulative Preferred Stock are declared quarterly by the board of directors, and are normally payable on the first day of January, April, July and October to shareholders of record on or about the 10th day of the preceding month. Quarterly distributions on the 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I, are payable March 31, June 30, September 30 and December 31 to holders of record on the last business day before such dates.

SCANA Investor Plus Plan

The Plan provides investors a convenient and economical means of acquiring, holding and transferring shares of SCANA's Common Stock. Participants may purchase additional shares of Common Stock through automatic reinvestment of all or a portion of their cash dividends on SCANA's Common Stock and SCE&G's Cumulative Preferred Stock and/or by making optional cash payments of up to $100,000 per calendar year. The Plan also features a direct purchase provision through which investors can acquire their first shares of SCANA's Common Stock directly from the Company. A variety of other services, including direct deposit of dividends and safekeeping of share certificates, are also available. A Plan prospectus and enrollment form are available upon request.

Shareholder Inquiries

Questions concerning the SCANA Investor Plus Plan, stock transfer requirements, replacement of lost or stolen stock certificates or dividend checks, address changes, direct deposit of dividends, elimination of duplicate mailings, or other account services should be directed to the Shareholder Services Department:

By writing: SCANA Corporation
Attention: Shareholder Services (054)
Columbia, SC 29218-0001
By calling: (800) 763-5891 (toll-free Investor Line)
(803) 217-7817 (in Columbia)
(803) 217-7389 (fax)
By e-mail: shareholder@scana.com

Transfer Agent and Registrar

SCANA Corporation maintains shareholder records, issues dividend checks and acts as Transfer Agent and Registrar for the Company's Common Stock and SCE&G's Cumulative Preferred Stock. Shareholders may send stock certificates directly to the Company's Shareholder Services Department for transfer. There is no charge for this service. The Company recommends that certificates be mailed by registered or certified mail. Signatures required for transfer must be guaranteed by an official of a financial institution that is an approved member of a Medallion Signature Guarantee Program.

Debt Securities

Trustee and Paying Agent

Questions concerning replacement of interest checks, tax information, transfers and other account information related to the following securities should be directed to the appropriate Trustee and Paying Agent:

SCANA Corporation

Medium-Term Notes
The Bank of New York
Attn: Corporate Trust Administration
101 Barclay Street, 21 West
New York, NY 10286
Telephone: (212) 815-2745

South Carolina Electric & Gas Company

First and Refunding Mortgage Bonds
The Chase Manhattan Bank
Corporate Trust Department - 15th Floor
450 West 33rd Street
New York, NY 10001-2697
Telephone: (808) 648-8380

Investor Information

South Carolina Electric & Gas Company

First Mortgage Bonds
The Bank of New York
100 Asheford Center North, Suite 520
Atlanta, GA 30338
Telephone: (800) 254-2826

SCE&G Trust I Trust Preferred Securities, Series A
The Bank of New York
Attn: Corporate Trust Administration
101 Barclay Street, 21 West
New York, NY 10286
Telephone: (212) 815-2745

Public Service Company of North Carolina, Incorporated

Senior Debentures (Unsecured)
First Union National Bank
Trust Officer
1441 Main Street, Ste 440
Columbia, SC 29201
Telephone: (800) 665-9343

Auditors

Deloitte & Touche LLP
Certified Public Accountants
1426 Main Street, Suite 820
Columbia, SC 29201

Additional Information

Publications: The Company provides a quarterly report to shareholders highlighting financial and operating results for the first, second and third quarters. A copy of SCANA's 2000 Annual Report on Form 10-K (as filed with the Securities and Exchange Commission) is available without charge. Requests for these and other financial publications should be directed to the Investor Relations Department.
Internet: Information about the Company, including financial reports, press releases and descriptions of customer products and services, is available on SCANA's home page on the World Wide Web at http://www.scana.com.
Investor Line: In addition to information on a variety of shareholder account services, the latest information on dividends, financial results and other significant Company developments is available by calling SCANA's 24-hour, toll-free Investor Line at 1-800-763-5891.

Investor Relations Contact

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Fax: (803) 217-7344
Email: invrel@scana.com

Investors' Association

For information about this organization's activities, please write to:
Association of SCANA Corporation Investors
c/o Paul Quattlebaum, Jr.
22 Broughton Road
Charleston, SC 29407-7529

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