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10CFR50.71
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Vice President
Nuclear Operations

March 27, 1990

Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Subject: Virgil C. Summer Nuclear Station
Docket No. 50/395
Operating License No. NPF-12
1989 Annual Financial Reports

Gentlemen:

Pursuant to 10CFR50.71(b), enclosed are ten (10) copies each of South Carolina Electric & Gas Company's 1989 Annual Financial Report and South Carolina Public Service Authority's 1989 Annual Financial Report.

Very truly yours,

O. S. Bradham

ARR/OSB:lcd
Enclosures

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1989 Annual Report



Santee Cooper

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1980 Annual Report

San Francisco

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Cover

The Old Santee Canal State Park opened this year and is South Carolina's newest and most unusual state park. A joint historical project of Santee Cooper and the South Carolina Department of Parks, Recreation and Tourism, it is one of the best examples of "Working Together," the theme of this annual report. Robee and Greg Tucker, two Santee Cooper employees, are shown on the back cover as they paddle through this pristine Cyprian swamp environment.

Table of Contents

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Table of Contents

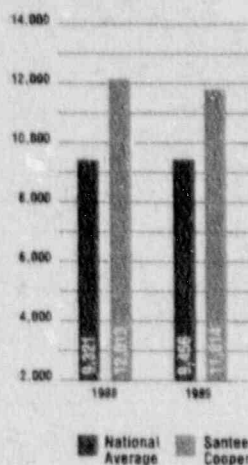
2	Corporate Statistics
4	Comparative Highlights
5	A Change in Top Management
6	Remarks by Dwight A. Holder
7	Remarks by Kenneth R. Ford
11	Energy Sales
12	Distribution
13	Energy Management
16	Generation and Load Growth
16	Nuclear Operations
16	Reliability
20	System Planning
20	Production Engineering and Construction Management
21	Power Generating Stations
24	Performance and Environmental Services
26	Production Operations Management
26	Power Supply
27	Design Engineering
29	General Construction
30	Transmission Operations
30	Project Management
31	Corporate Communications
31	Governmental Affairs
34	Marketing
34	Fluid Control
34	Property Management
35	Environmental Resources
35	Mosquito Abatement
35	Water Quality Management
36	Aquaculture
36	Horticulture
38	Program for Employee Participation
39	Employee Relations
40	Occupational Health
42	Training and Development
42	Safety
42	Corporate Forecasting, Rates, and Statistics
43	Management Information Systems
45	Treasury
46	Schedule of Bonds Outstanding
49	Schedule of Refunded Bonds
50	Applications of Revenue
51	Financial Statements
52	Reports of Independent Auditors
65	Advisory Board, Board of Directors, and Management

Corporate Statistics

Fiscal Year	6/30/89	6/30/88	6/30/87	6/30/86	6/30/85	6/30/84	6/30/83	6/30/82	6/30/81	6/30/80
Total Utility Plant-Net including Nuclear Fuel (at year end) (in thousands of dollars)	1,754,447	1,749,244	1,727,848	1,745,892	1,773,788	1,779,161	1,670,571	1,467,710	1,205,200	950,628
Bonded indebtedness (at year end) (in thousands of dollars)	1,966,307	1,964,110	1,998,105	1,938,230	1,919,760	1,788,750	1,796,545	1,735,850	1,261,420	990,100
Operating Revenues (in thousands of dollars)										
Residential	54,751	53,658	52,433	46,529	41,414	35,572	28,098	27,121	21,949	17,630
Commercial	55,255	53,481	50,908	46,709	39,268	32,865	28,853	28,145	22,452	18,835
Public Street Lighting & Other	1,970	1,873	1,675	1,792	1,575	1,254	1,029	955	704	587
Industrial	186,046	168,585	157,428	157,681	168,198	146,811	136,908	143,676	108,776	47,371
Sales to Electric Co-ops	217,885	203,407	207,249	193,211	172,599	135,272	121,825	101,802	87,529	63,419
Other Sales for Resale	25,446	6,680	5,642	5,615	5,307	4,939	4,279	4,192	0,442	2,578
Miscellaneous	4,686	4,296	4,634	3,463	2,261	1,986	1,716	1,840	1,494	1,364
Total	546,039	491,980	480,059	455,000	430,622	358,699	322,708	307,731	246,346	151,793
Operation & Maintenance Expenses Charged to Operations (in thousands of dollars) *	326,526	287,269	273,646	260,955	258,233	236,389	218,976	226,320	187,890	109,997
Sums in Lieu of Taxes Charged to Operations (in thousands of dollars)	3,379	3,055	2,390	2,176	1,920	1,750	981	565	966	928
Distribution to the State Charged to Reinvested Earnings (in thousands of dollars)	5,180	3,003	2,003	1,901	1,700	1,600	1,500	1,400	1,300	1,300
Net Operating Revenues Available For Debt Service (in thousands of dollars)	242,989	217,436	229,564	219,063	195,899	136,186	118,230	94,219	66,503	46,732
Reinvested Earnings* (in thousands of dollars)	51,596	39,129	40,290	30,106	45,948	50,515	41,057	53,131	29,330	18,092
Debt Service Coverage:										
Expansion Bonds	1.70	1.57	1.56	1.47	1.61	1.83	1.69	2.18	1.90	2.41
Priority Obligation & Expansion Bonds	1.66	1.55	1.54	1.46	1.59	1.78	1.65	2.07	1.79	2.14
Kilowatt-hour Sales (in thousands)										
Residential	850,018	830,620	804,154	720,438	672,865	646,467	559,929	541,522	536,461	472,495
Commercial	980,605	940,941	892,123	812,520	738,430	688,748	595,724	569,474	549,737	511,726
Public Street Lighting & Other	33,720	31,639	28,651	30,500	29,571	25,448	20,236	17,841	17,572	17,506
Industrial	5,443,831	5,361,414	5,157,860	5,000,860	4,907,428	4,625,303	4,313,773	4,399,759	4,295,666	2,196,997
Sales to Electric Co-ops**	5,071,963	4,761,653	4,588,998	4,078,809	3,749,289	3,666,107	3,300,649	3,236,212	3,346,581	2,991,534
Other Sales for Resale	755,526	150,431	140,542	135,513	128,798	132,347	121,626	115,176	123,461	108,040
Total	13,135,663	12,076,698	11,612,328	10,778,640	10,226,381	9,784,420	8,911,937	8,879,984	8,869,478	6,298,298

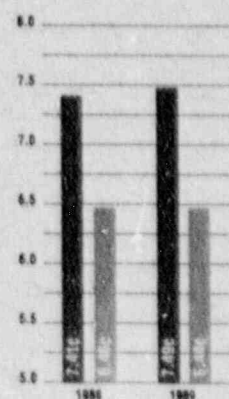
Average Residential Consumption

Fiscal Year / KWH



Average Residential Cost

Fiscal Year / KWH



Fiscal Year (Continued)	6/30/89	6/30/88	6/30/87	6/30/86	6/30/85	6/30/84	6/30/83	6/30/82	6/30/81	6/30/80
Number of Customers (at year end)										
Residential	73,161	70,461	67,435	63,895	59,755	55,610	50,255	46,310	43,462	40,053
Commercial	15,137	14,627	14,210	13,733	13,553	11,601	10,583	10,129	9,754	9,236
Public Street Lighting & Other	294	305	305	372	342	329	300	224	216	212
Industrial	33	29	30	29	29	29	28	28	28	27
Sales to Electric Co-ops	1	1	1	1	1	1	1	1	1	1
Other Sales for Resale	4	3	2	2	2	2	2	2	2	2
Total	88,630	85,426	81,983	78,032	73,682	67,572	61,169	56,694	53,463	49,531
Residential Statistics (average) Kilowatthour										
Consumption/ Customer	11,614	12,013	12,195	11,591	11,696	12,240	11,798	12,093	12,875	12,151
Cents/Kilowatthour	6.44	6.46	6.32	6.46	6.15	5.50	5.02	5.01	4.09	3.73
Generating Capability (at year end) (megawatts)	2,780	2,780	2,780	2,759	2,764	2,764	2,265	1,965	1,965	1,736
Power Requirements and Supply (kilowatthours in millions)										
Generation:										
Hydro	368	342	519	413	485	628	694	522	414	824
Steam	11,666	9,808	9,455	8,472	8,442	7,287	7,840	8,492	8,620	5,800
Combustion Turbines	18	1	—	—	1	2	—	18	31	10
Nuclear	1,319	2,327	1,744	1,871	1,516	1,931	494	—	—	—
Total	13,371	12,478	11,718	10,756	10,444	9,848	9,028	9,032	9,065	6,634
Purchases, Net Interchanges, Etc.	264	60	229	353	227	355	333	380	371	193
Total	13,635	12,538	11,947	11,109	10,671	10,203	9,361	9,412	9,436	6,827
Calendar Year	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Territorial Peak Demand (megawatts)	2,263	2,160	2,123	2,006	1,824	1,810	1,685	1,754	1,554	1,352

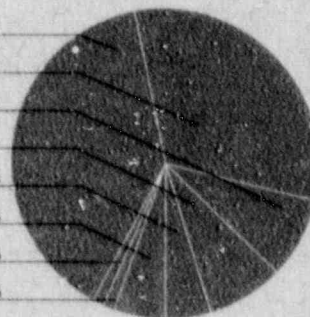
*Reinvested earnings for fiscal years 1980-84 has been restated to reflect a change in accounting methodology.

**Fiscal years 1983-87 include line losses billed to Central Electric Power Cooperative, Inc.

Source of Income

Fiscal Year 1989

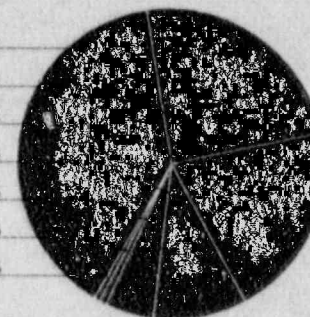
Sales to Electric Co-ops	\$217,884,742	38.11%
Industrial Sales	186,045,590	32.55%
Commercial Sales	55,255,141	9.67%
Residential Sales	54,750,528	9.58%
Other income	25,613,001	4.49%
Other Sales for Resale	25,446,491	4.45%
Other Electric Revenue	4,686,474	.82%
Public Street Lighting & Other	1,970,364	.34%



Distribution of Income

Fiscal Year 1989

Fuel and Purchased Power	\$216,883,653	37.94%
Interest	139,700,986	24.44%
Operation and Maintenance	109,744,969	19.20%
Additions to Plant, Inventories, Etc.	63,415,045	11.09%
Retirement of Debt	34,693,344	6.07%
Payments to State	5,180,149	.91%
Sums in Lieu of Taxes	2,034,485	.35%



Comparative Highlights

<i>FISCAL YEAR</i>	<i>1989</i>	<i>1988</i>	<i>%CHANGE</i>
<i>Financial (thousands of dollars)</i>			
Total Revenues & Income	\$571,652	\$516,599	10.66
Total Expenses & Interest Charges	548,158	504,902	8.57
Costs to be Recovered from Future Revenue	28,102	27,432	2.44
Reinvested Earnings	\$ 51,596	\$ 39,129	31.86
Debt Service Coverage - Priority & Expansion Bonds	1.68 times	1.55 times	8.39
Debt / Equity Ratio	79/21	80 / 20	---
<i>Statistical</i>			
Retail Customers Served	88,592	85,393	3.75
Average Annual Residential Consumption (KWH)	11,814	12,013	-1.66
Average Residential Cost (cents per KWH)	6.44	6.46	-.31
Energy Sales (MWH)	13,135,663	12,076,698	8.77
Territorial Peak Demand (MW)	2,306	2,215	4.11
<i>CALENDAR YEAR</i>	<i>1988</i>	<i>1987</i>	<i>% CHANGE</i>
Territorial Peak Demand (MW)	2,263	2,160	4.8

A CHANGE IN TOP MANAGEMENT



William C. Mescher

Santee Cooper was honored during the past year when William C. Mescher, president and chief executive officer, was elected president of the American Public Power Association (APPA). APPA represents more than 3,000 consumer and public-owned electric utility systems nationwide and in several American provinces.

In April, the board of directors named Mescher president emeritus to provide him the opportunity to devote his time more fully to his duties as APPA president. While serving as APPA president, he will be a special consultant to Santee

Cooper's board of directors.

The board appointed Kenneth R. Ford, executive vice president in charge of Finance, as interim president and chief executive officer. On May 22, the board named Ford as the new president and chief executive officer.

Ford came to Santee Cooper in 1978 from Omaha Public Power District, where he had served as treasurer and corporate manager of forecasting and analysis. A native of Council Bluffs, Iowa, he is a graduate of the University of Nebraska-Omaha.

REMARKS BY DWIGHT A. HOLDER

Chairman
Board of Directors



It is my privilege to be at the helm of Santee Cooper as our projections for the future move into the twenty-first century. The final decade of the twentieth century is upon us, and Santee Cooper is ready to meet the challenge.

Santee Cooper, as a public power pioneer, has been proving throughout most of this century that it is worthy of any challenge that arises. Public power had opponents even before its birth, yet our predecessors held to their vision that electricity should benefit all our citizens, including the rural farm families living throughout the Palmetto State.

Efficient, effective public power now touches the lives of South Carolinians from the mountains to the coast. Some rural areas have become urban areas, yet both town and country continue to reap the benefits of public power.

And Santee Cooper will continue to fulfill its mandate to the state's citizens who own it. Together, public power and Santee Cooper have made significant contributions to improve the quality of life in South Carolina and will continue to do so.

Indeed, it is a tribute to Santee Cooper's role in public power that our president emeritus, Bill

Mescher, currently serves as president of the American Public Power Association.

Significant achievements can best be accomplished by a financially healthy and stable entity, and I am pleased to report that Santee Cooper has completed the most successful year in its more than 50 years of service to the state. This is evidenced by our highest-ever reinvested earnings total - more than \$51.5 million.

Our energy sales also reached an all-time high of 13,136 gigawatt-hours. Furthermore, through its payments in lieu of taxes, Santee Cooper increased its contribution to the state to a total of \$5.2 million.

Over on the production side, our kilowatt-hour sales of electricity increased by about 9 percent and our electric revenues were up about 11 percent.

In terms of energy consumption, this represents a 2 percent increase by residential customers, 4 percent by commercial customers, 1 percent by industrial customers, and 6 percent by Central Electric Power Cooperative and the municipalities of Bamberg and Georgetown.

Significant to Santee Cooper is the continued full production output and full employment by Alumax, Santee Cooper's largest industrial customer.

Growth in our number of customers was also steady. A total of 2,700 residential and 510 commercial customers were added, which represents increases of 4 and 3 percent, respectively.

All of this is a reflection of the stability and continued economic

growth within the areas served directly by Santee Cooper or by the 15 electric cooperatives which are members of Central.

We are also pleased that Santee Cooper has been able to maintain a stable rate base, allowing our customers to benefit by having among the lowest costs for electricity in the state. While this is an economic benefit to them, it is also a tribute to the dedication of our employees and the effective management of our resources. It is significant to note that we have not had a rate increase since 1985 and do not project having to make any adjustments before 1992.

Our financial rating during the year also maintained its strength. Both Moody's and Standard and Poors reaffirmed their confidence in Santee Cooper by maintaining our current A1, A+ bond ratings.

An important factor in maintaining these ratings has been Santee Cooper's consistent financial success during the past several years. Two primary measurements of this success are our debt service coverage and debt equity ratio. Both of these have shown improvement during the past year.

All in all, Santee Cooper had a tremendous year. We look forward to the opportunities and challenges of the next decade that will allow us to continue our tradition of service to the citizens of South Carolina.

REMARKS BY KENNETH R. FORD

*President and Chief
Executive Officer*

Measuring the success of Santee Cooper's management, operations, and service goes well beyond our assessment of the bottom line. While this is always important from a business perspective, we must also measure our progress in terms of meeting defined corporate commitments that are equally important.

"Working Together" is one of those commitments. It defines a nonmeasurable but more meaningful relationship that Santee Cooper is determined to maintain with our customers, our employees, our investors, our electric cooperatives, and with the communities where we serve. It is also the relationship we must maintain with other utilities, with state government, with our local and state agencies, and with the citizens of our state.

From a management perspective, the changes in organization during the past year have been very smooth and orderly. The streamlining of our organization has strengthened Santee Cooper's unity of purpose and direction. It has renewed our emphasis on strategic planning and working together more closely to improve our planning for the future. The spirit of cooperation among our employees and the strong support from the board have provided a renewed enthusiasm and dedication toward continued success.

From a fiscal perspective, Santee Cooper had the best year in its history. Our energy sales reached an all-time high, reinvested earnings were the largest ever, our payment to the state increased, and we maintained

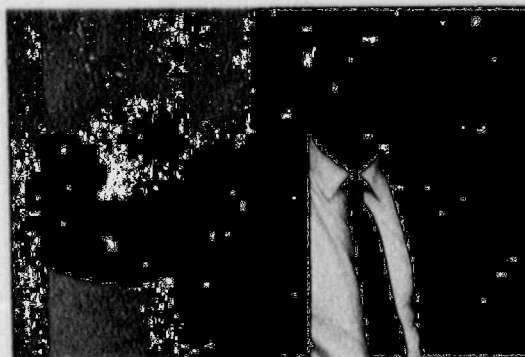
rates that were among the lowest in the state.

Looking beyond the areas of management and finance, it is important to report on the progress of Santee Cooper with particular emphasis on our commitment for working together.

First — our customers. To serve them more effectively and with increased reliability, we have completed engineering, design, and construction on new lines and loop feeds to our growing service area. Also, to improve power delivery to our co-op customers, we are building new transmission lines and "beefing-up" existing circuits that feed power throughout 35 counties of the state.

We're working with other utilities also for the benefit of all customers in South Carolina who might choose to live in mobile homes. This is in the form of a set of Good Cents energy efficiency standards for all mobile homes constructed or sold in South Carolina. For the leadership role of our Energy Management unit developing this standard accepted by all utilities in the state, Santee Cooper was presented APPA's Energy Innovator Award for 1989.

There is probably no better way to work with our customers, our financial investors, and the citizens of South Carolina than through our Mini-Bond program, which was introduced last fall. The support for Santee Cooper was echoed loudly in an overwhelming response to the offering of smaller denomination, tax-exempt bonds. We'd hoped for a 4 or 5 million dollar



sale, and orders totalled over 17 million dollars.

Working together with state government and state agencies is another important priority with Santee Cooper. When the governor and State Budget and Control Board called on Santee Cooper to help the Patriots Point project, we said, "Yes," and worked closely with them to develop a viable plan. Even though the plan didn't work out, the importance of this experience is the confidence that was placed in Santee Cooper by the governor and State Budget and Control Board.

Working together with our legislators, legislative committees, and state agencies has increased significantly throughout the year. Their increased use of Wampee, our corporate training and conference center, as a resource for planning, training, and productive work sessions is a chronicle of this accomplishment. Our relationship with state government is probably stronger than it has been in a long time, and the commitment of working together is helping us maintain it.

A new state park — for the recreational and educational

benefit of all South Carolinians and visitors – is another product of such cooperative efforts. The State Department of Parks, Recreation and Tourism opened the gates to the Old Santee Canal State Park, the newest and most unusual facility of its kind in South Carolina. We are extremely proud of this joint accomplishment because it preserves the oldest canal in America, which was also the precursor to the Santee Cooper project, constructed more than a century later.

For our employees, no better example of working together can be seen than our Program for Employee Participation (PEP). PEP allows personnel assigned within various units to work together as a team in solving problems. Their efforts during the past year have resulted in improved practices, procedures, and work methods, in increased productivity and efficiency, and in considerable savings in time, dollars, and resources.

Employees work together every day in a manner that is paying off for Santee Cooper and its customers directly in the form of lower power costs. A prime example is the ranking of Santee Cooper's coal-fired generating system this past year as sixth best in the nation and best in the two Carolinas and Georgia, when compared to the top 100 investor-owned utilities in the country. This was based upon a survey of these utilities conducted by *Electric Light and Power* magazine. Santee Cooper's ranking was a teamwork

effort – a combination of the Production Department's Goals Program, good maintenance, high unit availability, and careful operations.

The annual savings of over \$5 million resulted also from the combined efforts of our highly qualified performance testing crews, effective fuel purchasing, and through a dedicated Systems Operations team which provided economic dispatching, kept excess on-line generation to a safe minimum, and made prudent purchases and sales of power.

Working with our electric cooperatives, through Central and directly, has been an essential part of our success this year and on a daily basis. Through coordinated planning, assistance in transmission and distribution, joint advertising and promotion, and a unified economic development effort, we are seeing that teamwork can make a difference.

The most significant results of this consolidated effort with the electric cooperatives can be seen in three major industrial announcements during the year: first, Willamette Industries' decision to locate in Marlboro County; Teledyne Alvac, Inc.'s move to Chester County; and finally, Nan Ya Plastics Corporation's selection of Lake City as the location for their new plant. Net results of all of this industrial growth on the co-op system will be more than 1,000 new jobs, and the majority of these successes would not have occurred without the combined and cooperative efforts of Santee Cooper, Central, the co-ops, and

Palmetto Economic Development Corporation.

Working to improve our environment is always a concern and a responsibility of Santee Cooper. In cooperation with the South Carolina Water Resources Commission, the Department of Wildlife and Marine Resources, and the U.S. Army Corps of Engineers, 100,000 sterile, weed-eating Chinese grass carp were released into the Santee Cooper lakes in hope of helping manage the growing infestation of aquatic weeds that has become an annoyance to navigation, power production, and recreation.

The examples of "Working Together" as the new corporate commitment of Santee Cooper are numerous. Just ask any of our employees or members of our management team. They will each tell you that "working together" works. It's the secret of their success, and with their dedication and commitment, we plan to continue that success for the benefit of Santee Cooper's customers and the people of this state.

The continued leadership, support, and input from our board is equally essential for success, and it is appreciated by all members of the Santee Cooper team. All of us working together, pulling and pushing in the same direction, will assure our position as one of the most innovative, productive, and responsive utilities in the country – one of which the people of South Carolina can be proud.

Ken Ford

Working Together

It's more than a theme for this report. It is Santee Cooper's reason for existence. Working together is the essence of Santee Cooper's charter from the legislature. But it is also the objective of our day-to-day efforts in doing what we can do to improve the "health, welfare and material prosperity of the people of South Carolina," the mission of Santee Cooper as defined by its enabling legislation.

Working together – at once a method of doing ... and the goal of that doing.

Working together inspires us. In it, we find fulfillment as individuals and as an enterprise. In working together we aspire to the best, individually and collectively. And in working together we come closer to that goal, because the will and the work of the many always creates an energy and direction and purpose greater than the sum of its parts.

Our commitment is to continue *working together* for our customers, our employees, our investors, our state, and all its people.

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E. L. Ayers knows a thing or two about working together. He is also chairman of Palmetto Economic Development Corporation, president of Coastal Bank Corporation, Inc., and general manager of Palmetto Marine Corporation, Inc. In his leadership capacity, he works with George Craig in recruiting new industries into the Palmetto area. "The critical role of the Palmetto Economic Development Corporation," Ayers says, "is to serve as a link to our organizations, and to provide resources to South Carolina."

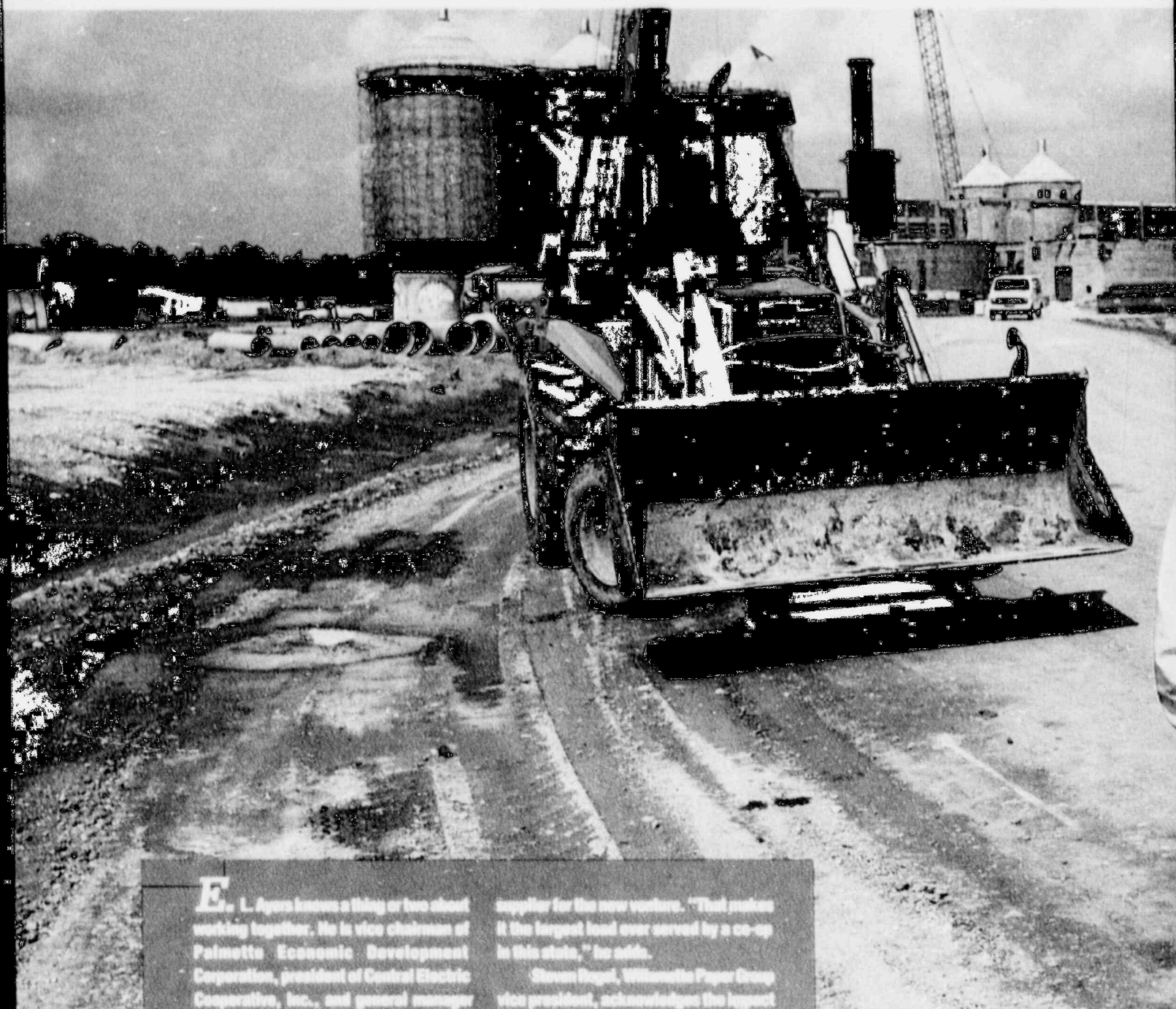
When Willamette Industries of Portland, Oregon, announced that it was looking for a \$100 million paper mill in the Palmetto area, Ayers and Craig were among the first to be called. The two men worked closely with the company to develop a site plan and to secure the necessary permits. "We were able to get the site plan approved in a matter of weeks," Ayers says. "We were able to get the permits in a matter of weeks."

According to the new union, "The union is the largest and most active in the state," he adds.

George Craig, Willamette Paper Corp. vice president, said that the company is one of the few large companies in the state that have a strong presence in the area. "We have a strong presence in the area," he says. "We have a strong presence in the area."

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E. L. Ayers and William Craig at Willamette construction site



E. L. Ayers knows a thing or two about working together. He is vice chairman of Palmetto Economic Development Corporation, president of Central Electric Cooperative, Inc., and general manager of Fairfield Electric Cooperative, Inc. In his leadership capacity, he works with Santee Cooper in recruiting new industries into the Palmetto State. "I'm excited with the partnership we have," Ayers says. "It means a lot to our organizations, but it means even more to South Carolina."

When Willamette Industries of Portland, Oregon chose a Marlboro County location for its \$325 million paper mill, Ayers had every reason to be glad. The new plant, projected to create 250 new jobs, will use 42 megawatts of electricity, says William Craig, general manager of Marlboro Electric Cooperative, power

supplier for the new venture. "That makes it the largest load ever served by a co-op in this state," he adds.

Steven Regel, Willamette Paper Group vice president, acknowledges the impact of the year-long joint economic development efforts that brought his company to this state. "With Marlboro Electric, we are dealing with local people, day by day, face to face, in a small business atmosphere," he explains.

Sum up Ayers. "When we all work together, we have an unbeatable team. We can approach industry and be successful, and our record shows this. Neither Santee Cooper nor Marlboro Electric could have achieved this alone. But our teamwork made it happen, to the benefit of our customers, Santee Cooper, and the entire state."

*E. L. Ayers and William
Craig of Willamette
Construction Corp.*



ENERGY SALES

At the end of the fiscal year, Santee Cooper was serving 88,592 residential, commercial, and other retail customers located in Berkeley, Horry, and Georgetown counties. This was an increase of 3,199 or 3.8 percent over the previous year. Of this increase, 2,700 were residential, 510 were commercial, and there was a decrease

in public street lights and other of 11. This compares with growth in 1988 of 3,026 residential and 417 commercial.

Sales to these retail customers were 1,864 gigawatt-hours, up 3.4 percent over the previous year.

The average annual consumption of electricity by Santee Cooper residential customers decreased to 11,814 kilowatt-hours,

1.7 percent less than the previous year and 28.9 percent greater than the national average.

The average cost per kilowatt-hour for Santee Cooper residential customers was 6.44 cents, 3 percent less than the previous year, and 14.0 percent lower than the national average.

The average cost of power for Santee Cooper commercial



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The average cost of power for Santee Cooper commercial

customers was 5.64 cents, down .7 percent from 1988 and 20.0 percent lower than the national average.

Industrial sales were 4,998 gigawatthours, up 1.4 percent over the previous year. The average cost of power to indus-

trial customers was 3.36 cents per kilowatthour, 9.8 percent greater than the previous year and 29.4 percent lower than the national average.

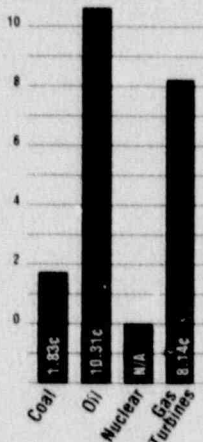
Sales to U.S. Air Force bases at Charleston and Myrtle Beach and to the Charleston Naval Station increased 13 gigawatthours, or 3.1 percent.

Sales through Central Electric Power Cooperative, Inc. to its 15 member co-ops increased 6.5 percent to 5,072 gigawatthours. Central is Santee Cooper's largest single customer. The electric cooperatives distribute power to more than 300,000 customers in 35 counties of the state.

Sales to the municipalities of Bamberg and Georgetown increased 2.7 percent.

Fuel Generating Cost

Cents / KWH
Fiscal Year 1989



Energy Sales

Fiscal Year 1989 (MWH)

Industrial	5,443,831	41.44%
Sales to Electric Co-ops	5,071,963	38.61%
Commercial	980,605	7.47%
Residential	850,018	6.47%
Other Sales for Resale	755,526	5.75%
Public Street Lighting & Other	33,720	.26%



Fiscal Year 1988 (MWH)

Industrial	5,361,414	44.39%
Sales to Electric Co-ops	4,761,653	39.43%
Commercial	940,941	7.79%
Residential	830,620	6.88%
Other Sales for Resale	150,431	1.25%
Public Street Lighting & Other	31,639	.26%



DISTRIBUTION

Santee Cooper provided distribution and retail service to 88,592 customers in Berkeley, Horry, and Georgetown counties, compared to last year's total of 85,393, for an increase of 3.8 percent. Energy sales for retail customers were 1,864,343 megawatthours with revenue of \$111,976,333 for the year.

The Horry-Georgetown Division serves the municipalities of Myrtle Beach, Conway, Loris, North Myrtle Beach, Surfside Beach, Pawleys Island, Atlantic Beach, and Briarcliffe Acres, along with the unincorporated areas of Arcadian Shores,

Garden City, Murrells Inlet, and Waccamaw Neck.

The Horry-Georgetown Division provided new service to 1,444 single-family and multi-family homes and commercial projects. Among the new starts were River Hills Golf Club, an 18-hole course; a 1,000-lot subdivision in Little River; and Inlet Oaks Mall, which will contain seven major stores and 48 shops located in Garden City.

The project to upgrade the system in Conway by converting from 4 kV distribution primary voltage to 12 kV is now 80 percent complete. During the year, new power transformers were installed at North Conway and Caropines substations. Six additional substation main distribution feeders were energized to provide for new growth and system improvement. Within the division, approximately 15,000 meters are tested annually to ensure accurate customer readings.

The division's automated mapping system currently encompasses 75 percent of the Horry-Georgetown service area. This facility's data base, which provides access, retrieval, and storage of mapping data, is used by various departments within Santee Cooper to provide safe, reliable service for all customers.

SCADA (Supervisory Control and Data Acquisition) has operated in the Horry-Georgetown Division for the past year.

Currently, 94 percent of all substations are SCADA-controlled.

A new Customer Advisory Council was formed in the division for open communication with customers, who provide direct input into policies and procedures for services and activities. Members of the council represent a cross section of community interests and come from both Horry and Georgetown counties.

"Welcome Neighbor - A Guide to Santee Cooper Customer Services" was published, providing both residential and commercial customers with information on such subjects as new service, deposits, rates, and energy conservation.

Berkeley District - The Berkeley District provided underground service to a 24-unit retirement village, a 20-lot residential subdivision, and the second phase of Sterling Oaks Subdivision.

Three-phase underground service was supplied to Santee Cooper's new office building, new services building, and new carpenter shop located near Overton Subdivision.

Construction power was furnished for the Pinopolis West Dam Project at several locations on the job site.

Approximately 102 distribution poles were replaced in the St. Stephen area for Santee TV Cable Company to provide

proper code clearances.

The installation of the SCADA system for the Berkeley District was approximately 80 percent complete by the end of the fiscal year.

Approximately 3,000 feet of three-phase primary feeder was installed in phase one of Stony Landing Subdivision. This represents approximately 10 percent of the overall project.

ENERGY MANAGEMENT

Santee Cooper won its third National Energy Innovator Award from the American Public Power Association. The award recognizes Santee Cooper for its leadership in the development and implementation of a statewide energy-efficient mobile home standard for the state of South Carolina. It demonstrates Santee Cooper's commitment to serve customers across the state in the most efficient manner.

Energy Management, working together with Corporate Forecasting, Rates, and Statistics, devised new standards to provide uniform energy efficiency standards for mobile homes sold in South Carolina. These standards were endorsed with a proclamation signed by Governor Carroll Campbell. The coincident peak demand for a mobile home constructed to the new standards is approximately 36 percent lower in the peak summer month and 50 percent lower in the peak winter month.



When South Coastwater put a price on salt brine, they often discover what they call a "hidden lease," and that tells independent producers of oil and gas that they're in. For 25 years, he paid other producers of the county, the owners and operators of leases, two cents per barrel of brine. Now, he's paying more than \$100 a barrel. "We've been making more money leasing salt than we ever made producing for years. That's why I'd get in line to lease in the San Diego, where it's like a gold mine. There's a lot of work, so it's not a money-making proposition. And it's a lot of work to lease the lease."

Business is suffering in the port's hinterland. "We're not getting any new business," says a local businessman. "I don't see any new business coming in." The situation is dire, and the port's future is uncertain.

ing and making. Thus, making the elements provide support with a part which will allow to maintain a fairly easy difference.

[illegible]

The conference, held by the department at Charles Wheeler, executive vice president and general manager of Henry Heavin Engineering, was the second of two conferences concerning the environmental impact. It was planned that the next discussion will focus on how the company can conduct its business while still spending less efficiently. Working with Robert Brown and the other members of the panel has been the challenge.

Ralph Camp, vice president and general manager of Mascot Homes, and Glenn Cannon at Gramling, SC plant



compared to a conventional, non-energy-efficient mobile home.

The Good Cents Improved Home Award was granted to 313 customers in its first year of implementation. Through this program, homeowners convert their existing homes to meet Santee Cooper's demand-side management requirements.

The Good Cents New Home Award was granted to 232

customers during the fiscal year. Since the program started in 1987, 400 homes have been built to the Good Cents specifications. The number qualifying this year represents approximately 10 percent of all new connects in our retail service area.

As a result of customers seeking to qualify for the Improved Home rate discount, requests for energy management services have dramatically

increased. During the year, 1,640 residential audits and 138 commercial audits were performed. Two hundred twenty-seven energy audits were performed under the RCS (Residential Customer Service) Program, a federal requirement to provide energy savings through individualized energy audits. Load calculations and thermal design analyses for sizing electric heating and cooling systems



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were provided for 1,630 residential customers and for 81 commercial customers.

The increasing customer awareness of the Good Cents Programs is reflected in the number of wholesale and municipal customers qualifying for New and Improved Home Awards. In addition, 677 of Central Electric Power Cooperative, Inc. members received the New Home Award and 799 customers received the Improved Home Award. To date, 1,694 Good Cents homes in cooperative service areas are receiving KWH rate discounts granted by Santee Cooper.

The End Use Metering project, implemented in conjunction with the Rates unit, continues to provide excellent load and market research data. The data validates the consistent monthly coincident and non-coincident peak demand reductions obtained through participation in the Good Cents New, Improved, and Mobile Home programs.

One hundred twenty-seven Good Cents loans for energy-efficient home improvements totaled \$476,924 for the year. Of that total, \$376,305 was loaned for 25 fossil fuel and 43 electric resistance heating system conversions to heat pumps. The total amount loaned since the initiation of the program is over \$2 million.

The Good Cents Certified Heat Pump Dealers Program continued for its 13th consecu-

tive year. The Heat Pump Advisory Council, which consists of elected members from the certified heat pump dealers, assists Santee Cooper personnel in the promotion and implementation of our heat pump programs.

Santee Cooper's Energy Education Safety Program, "Louie, the Lightning Bug," was presented to 11,050 students in 29 schools and to three civic organizations in Berkeley, Georgetown, and Horry counties during the 1988-89 school year. "Ouch, the Outlet," a safety program for ages 4 to 6, was introduced this year to area schools.

The second Energy Educators' Seminar was held for 30 teachers in June. The teachers attended seminars on such topics as school conservation, consumer information, environment, electricity, public utility finance, and crayfish farming. They also toured energy facilities and practiced hands-on classroom activities.

GENERATION AND LOAD GROWTH

Santee Cooper facilities, which include one-third ownership of the V.C. Summer Nuclear Station, generated 13,370,710 net megawatthours of electricity this year. This was an increase of 892,923 megawatthours, or 7.2 percent, above last year.

Of the total energy generated, 87.3 percent was produced

using coal, 9.9 percent by nuclear, 2.7 percent by hydroelectric, and 0.1 percent by oil. The peak hourly demand for the fiscal year was 2,306, which occurred on June 28, 1989. This was an increase of 4.1 percent over FY 88.

NUCLEAR OPERATIONS

The V.C. Summer Nuclear Station, an 885-megawatt nuclear plant jointly-owned with South Carolina Electric & Gas Company, continued to be a major contributor to Santee Cooper's energy supply during FY 89. During this period, Santee Cooper's one-third ownership of the Summer Station provided almost 1.3 billion kilowatthours of electricity for our customers, or 10 percent of the company's total electrical sales.

The plant underwent its fourth refueling outage during the fall of 1988. In addition to the refueling, this scheduled outage included numerous modifications and extensive maintenance activities which could only be accomplished while the unit was off-line. The next refueling outage is scheduled for the spring of 1990.

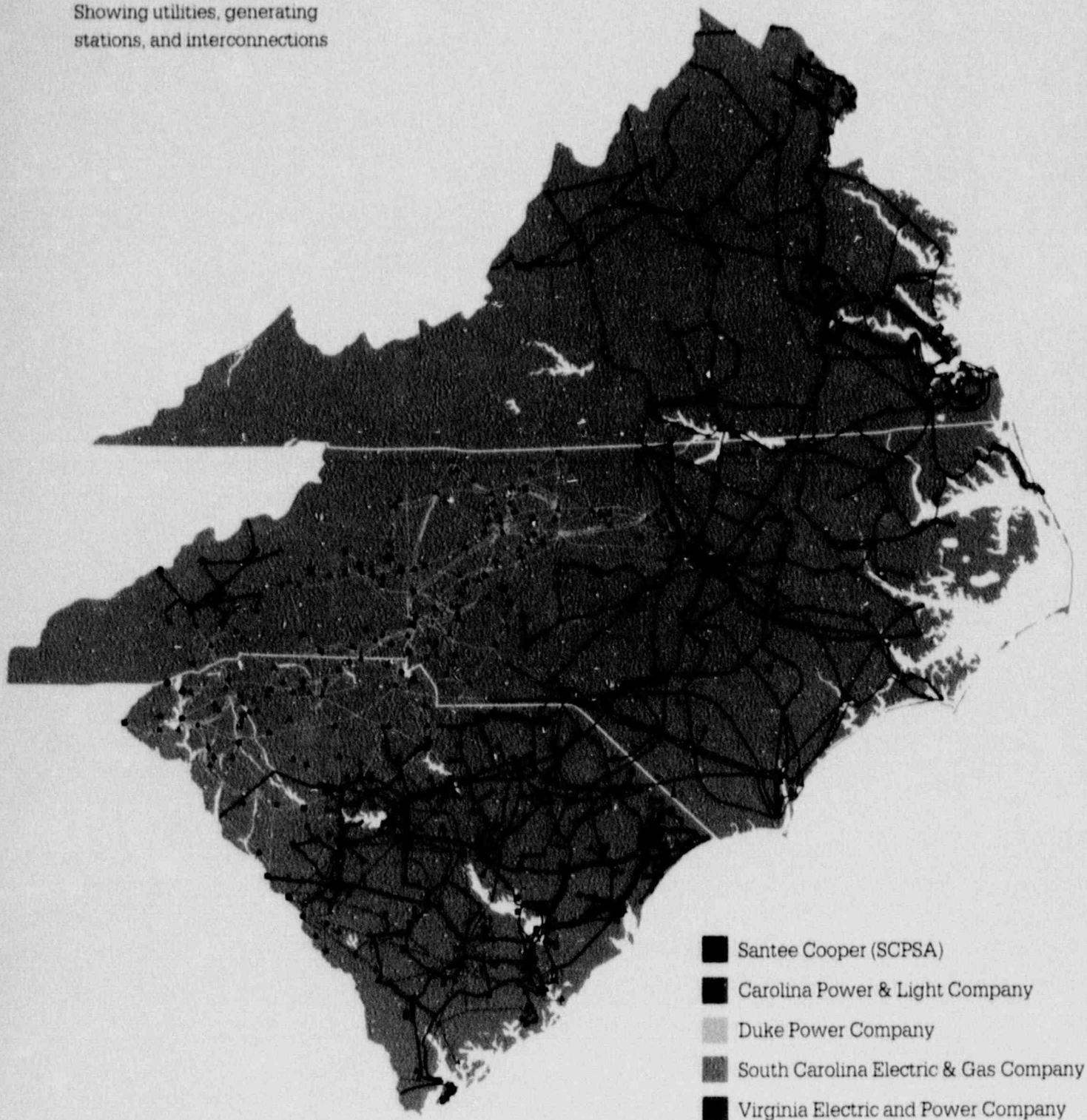
Nuclear fuel continues to be one of our cheapest energy sources, averaging only about one-fourth the cost of fossil fuel.

RELIABILITY

Santee Cooper is one of 30 member organizations in SERC (Southeastern Electric Reliability

VIRGINIA-CAROLINAS RELIABILITY GROUP (VACAR)

Showing utilities, generating
stations, and interconnections





When George Rogers signed a petition for the sale of slaves governing property in Virginia's Power this year, that signed South Carolina's statement publicly was looking North across of the nation's landscape.

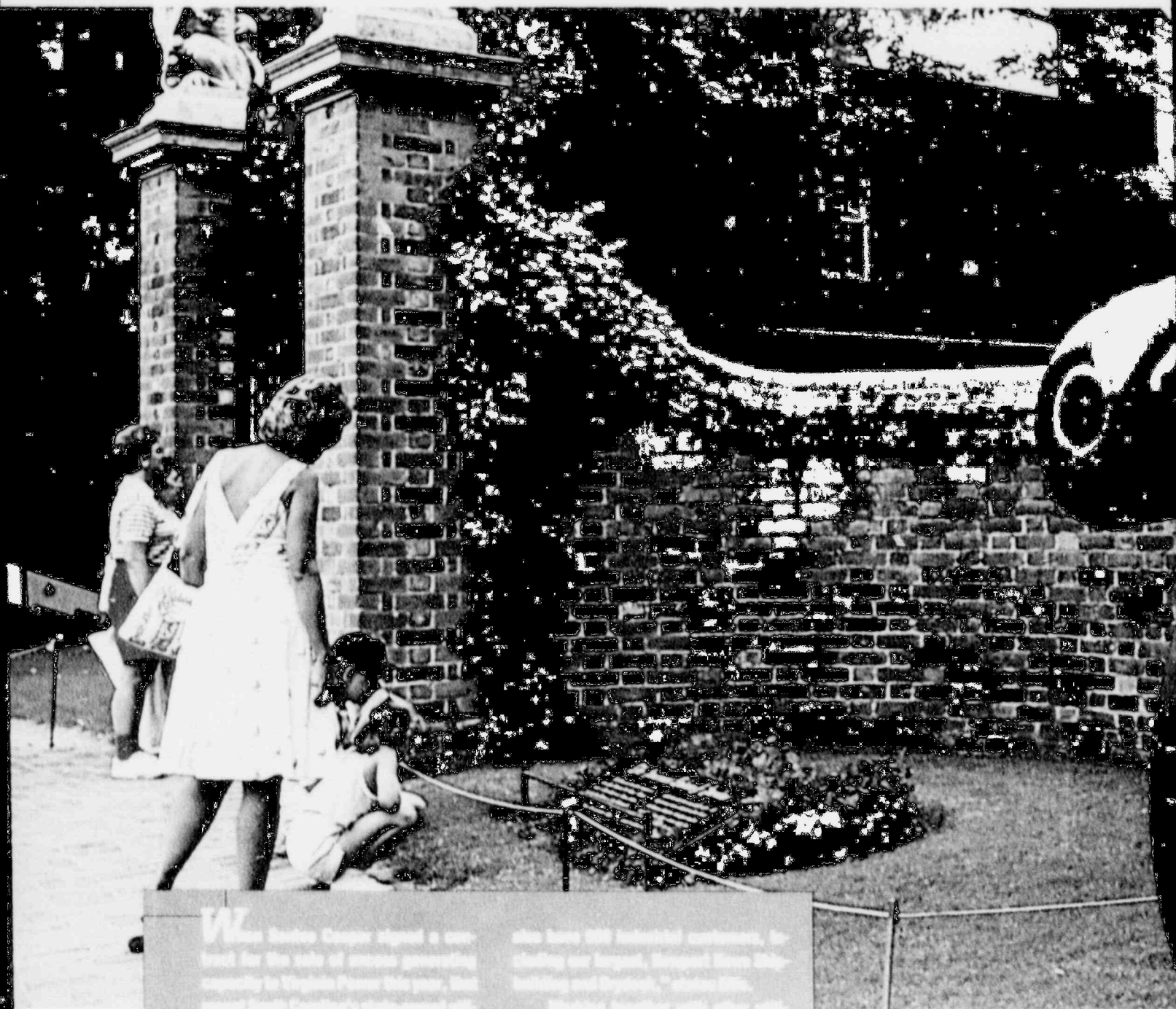
"The newly signed in the North, Williamsburg, in the Province, and in the military institutions in the North," explains Virginia Power's Larry Ellis, the president, James Rogers and Power Rogers. "The newly signed in the North, Williamsburg, in the Province, and in the military institutions in the North," explains Virginia Power's Larry Ellis, the president, James Rogers and Power Rogers. "The newly signed in the North, Williamsburg, in the Province, and in the military institutions in the North," explains Virginia Power's Larry Ellis, the president, James Rogers and Power Rogers.

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also have 100 historical institutions, including our largest, Newport House Shipbuilding and Shipyard," states Ellis.

Working together with other 100-Plus to meet the power supply needs of customers is a common practice for James Rogers, Power Rogers and Power Rogers. "The newly signed in the North, Williamsburg, in the Province, and in the military institutions in the North," explains Virginia Power's Larry Ellis, the president, James Rogers and Power Rogers. "The newly signed in the North, Williamsburg, in the Province, and in the military institutions in the North," explains Virginia Power's Larry Ellis, the president, James Rogers and Power Rogers.

Larry Ellis in Historic Williamsburg



When Duke Energy signed a contract for the sale of assets generating electricity in Virginia Power this year, the parent South Carolina's utility owned a 100-year-old light house of the nation's landmarks.

The tower stands in Norfolk, Virginia, in the Potomac, and is all the military installations in Norfolk. The tower is a historic landmark, and it is a symbol of the city's history. The tower is a symbol of the city's history, and it is a symbol of the city's history.

The tower is a symbol of the city's history, and it is a symbol of the city's history. The tower is a symbol of the city's history, and it is a symbol of the city's history.

also have 100 historical landmarks, including our largest, Norfolk Navy Shipbuilding and Repair, a historic site.

Working together with other cities to build the nation's largest of landmarks is a historic landmark, and it is a symbol of the city's history. The tower is a symbol of the city's history, and it is a symbol of the city's history.



Council) which includes all power suppliers in the region with a generating capacity of 25 megawatts or more. The council assists member systems in their coordination of overall planning and operations to achieve maximum reliability of power supply.

Santee Cooper is also one of seven power systems in VACAR (Virginia-Carolinas Reliability

Group) which includes South Carolina Electric & Gas Company, Carolina Power & Light Company, Duke Power Company, Virginia Power, Yadkin Inc., and the Southeastern Power Administration. The member systems have a coordination agreement to safeguard the reliability of their service.

Santee Cooper maintains interconnections with the

Southern Company and the Southeastern Power Administration at the R.B. Russell Dam; with the Southern Company at McIntosh; with South Carolina Electric & Gas at Bushy Park, North Charleston, St. George, Mateeba, Columbia, and the V.C. Summer Nuclear Station; with the Southeastern Power Administration, Duke Power Company, South Carolina Electric & Gas,



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and the Southern Company at Lake Thurmond; and with Carolina Power & Light Company at Darlington, Hemingway, Kingstree, Lugoff, and Darlington County Plant.

SYSTEM PLANNING

System Planning worked with Design Engineering, Project Management, and Distribution Engineering, Horry-Georgetown, to plan the expansion of Santee Cooper's bulk electric power system.

System Planning and Power Supply personnel are participating in a cross-training program for supervisors involved in short-term and long-term planning of the operation and expansion of the bulk electric power system.

In the Horry-Georgetown Division, a program has been initiated to promote cooperation between all utilities – electric, gas, water, telephone, and cable television – to improve communication and cooperation with contractors and developers in the fast-growing areas in Horry and Georgetown counties. System Planning personnel participated in these activities to work together better to coordinate system expansion plans. System Planning personnel regularly attend Horry County Planning Commission and Waccamaw Regional Planning Council Technical Committee meetings in order to work with these planning bodies to meet the area growth.

Santee Cooper's System Planning personnel, working together with Central Electric Power Cooperative and Central-member cooperatives, have developed plans to convert lower voltage transmission to 115 kV in Aiken, Lexington, and Horry counties, where selected stations of Aiken, Mid-Carolina, and Horry electric cooperatives will be converted to 115 kV stations.

A Generation Deficiency Task Force was formed, with personnel from System Planning, Production, Finance, and Customer Services. Their goal is to promote customer improvement and conservation programs with new generation only when it becomes the least-cost alternative for customers.

PRODUCTION ENGINEERING AND CONSTRUCTION MANAGEMENT

Design and construction began on a \$2.8 million maintenance shop/warehouse facility at Winyah Generating Station. This facility, to be completed in the fall of 1989, will house the maintenance staff and include large metal working equipment, which will allow repairs of rotating machinery, such as turbine rotors, from all Santee Cooper stations.

Following a study to determine criteria for future generating station controls, design began on a distributed control system for upgrading the Grainger Generating Station

data acquisition system.

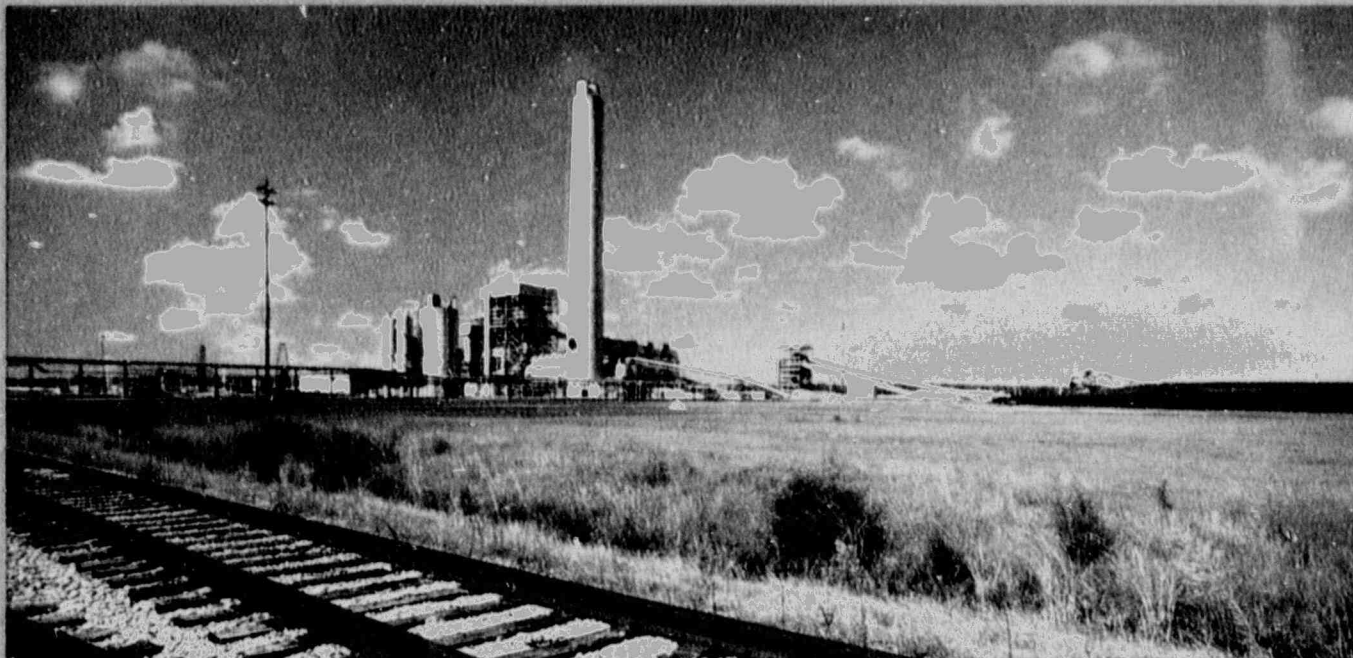
At Cross Generating Station, a contract settlement was negotiated for the steam generator to provide for any tube material problems which may occur. The flue gas desulfurization (FGD) system outlet ducts were partially lined with high nickel content alloy to substantially extend duct life. Also at Cross, fire protection systems were improved for the FGD area, electrostatic precipitator, furnace burner area, generator exciter cabinet, and equipment with extensive lube oil piping.

At Jefferies Generating Station, the station water treatment systems were improved by installing a new clarifier and an additional 300,000 gallon condensate storage tank. Also, the fire protection system was improved by adding a diesel-powered fire pump, extending the yard fire main and hydrant system, and enlarging the sprinkler coverage of the transformers and lubrication oil piping at the hydroelectric station.

At Winyah Generating Station, Unit 2 was improved by modifying the steam generator radiant reheater and installing a new section of the FGD system ductwork fabricated of corrosion-resistant high nickel content alloy. Also, the station fire protection system was improved by increasing the capacity of the diesel-powered

(Continued on page 24)

Power Generating Stations



Jefferies Hydro Generating Station

Location: Pinopolis, SC

Fuel Type: Water (Hydroelectric)

Generating Capability: 128 megawatts

Construction Cost (excluding interest):

\$58.6 million / \$458 per kw

Began Commercial Operation: 1942

FY 1989 Generation: 187.7 million kwh

Fuel Consumption - FY 1989: N/A

Fuel Cos. - FY 1989: none

Fuel Cost per kwh: none

Principal Features: Jefferies Hydro has four turbine generators which were initial units for the Santee Cooper Hydro Electric and Navigation System in 1942. Powerhouse is located at base of Lake Moultrie, with water level 75 feet above Tail Race Canal. Single-lift lock provides boat passage between Cooper River and Santee Cooper lakes. Water source is cumulation of rivers and streams draining 15,000 square mile Santee River Basin Watershed, which extends through the central and upper part of the state into western North Carolina.

Grainger Steam Generating Station

Location: Conway, SC

Fuel Type: Coal

Generating Capability: Units 1 & 2 - 170 megawatts

Construction Cost (excluding interest):

\$ 29.2 million / \$172 per kw

Began Commercial Operation: 1966

FY 1989 Generation: 325.4 million kwh

Fuel Consumption - FY 1989: 136,586 tons of coal

Fuel Cost - FY 1989: \$5,449,211

Fuel Cost per kwh: 1.675 cents

Principal Features: Grainger Steam Generating Station was constructed by and is owned by Central Electric Power Cooperative, Inc. with funds received through a Rural Electrification Administration loan. The plant is operated and maintained by Santee Cooper, which is making payments on the long-term REA loan. When the loan is paid off, Santee Cooper will maintain ownership of the station.

Santee Spillway Generating Unit

Location: Pineville, SC

Fuel Type: Water (Hydroelectric)

Generating Capability: 2 megawatts

Construction Cost (excluding interest): \$.04 million

Began Commercial Operation: 1950

FY 1989 Generation: 11.4 million kwh

Fuel Consumption - FY 1989: N/A

Fuel Cost - FY 1989: none

Fuel Cost per kwh: none

Principal Features: Hydro unit with small turbine generator was installed to generate power using the required discharge of 515 cfs into Santee River. Unit is operated remotely from Jefferies Steam Generating Station. Spillway is used in utility's flood control program for releases of water down Santee River.

(Continued)

POWER GENERATING STATIONS (continued)**Hilton Head Combustion Turbines**

Location: Hilton Head Island, SC

Fuel Type: Oil

Generating Capability:

Unit 1 - 20 megawatts

Unit 2 - 20 megawatts

Unit 3 - 57 megawatts

Construction Cost (excluding interest):

Unit 1 - \$ 2.7 million / \$135 per kw

Unit 2 - \$ 2.2 million / \$110 per kw

Unit 3 - \$ 9.8 million / \$172 per kw

Began Commercial Operation:

Unit 1 - 1973

Unit 2 - 1974

Unit 3 - 1979

FY 1989 Generation: 9.8 million kwh

Fuel Consumption - FY 1989: 1,052,614 gallons

Fuel Cost - FY 1989: \$845,811

Fuel Cost per kwh: 8.612 cents

Principal Features: Hilton Head Combustion Turbines were added to system to assist in meeting growing peak load demand, particularly on most southern end of Santee Cooper's transmission system. Units also provide 97 megawatts of backup emergency generation for the barrier island resort community if it should be cut off from the mainland power supply by a hurricane or other severe weather.

Jefferies Steam Generating Station

Location: Pinopolis, SC

Fuel Type:

Units 1 & 2 - Oil

Units 3 & 4 - Coal

Generating Capability:

Units 1 & 2 - 92 megawatts

Units 3 & 4 - 306 megawatts

Construction Cost (excluding interest):

Units 1 & 2 - \$ 15.7 million / \$171 per kw

Units 3 & 4 - \$ 54.8 million / \$179 per kw

Began Commercial Operation:

Units 1 & 2 - 1954

Units 3 & 4 - 1970

FY 1989 Generation:

Units 1 & 2 - 3.5 million kwh

Units 3 & 4 - 1.2 billion kwh

Fuel Consumption - FY 1989:

Units 1 & 2 - 13,956 BBL

Units 3 & 4 - 536,661 tons of coal

Fuel Cost - FY 1989:

Units 1 & 2 - \$362,361

Units 3 & 4 - \$24,198,867

Fuel Cost per kwh:

Units 1 & 2 - 10.306 cents

Units 3 & 4 - 1.937 cents

Principal Features: Jefferies Steam Units 1 and 2 are oil-fired turbine generators. Installed when oil was the most economic source of fuel, these units are used basically on a standby basis and for peak load generation. Units 3 and 4 were initially oil-fired and later converted to coal to take advantage of the more economic fuel.

Winyah Steam Generating Station

Location: Georgetown, SC

Fuel Type: Coal

Generating Capability:

Units 1, 2, 3, & 4 - 270 megawatts each

Construction Cost (excluding interest):

Unit 1 - \$ 62.4 million / \$231 per kw

Unit 2 - \$ 73.2 million / \$271 per kw

Unit 3 - \$ 118.0 million / \$437 per kw

Unit 4 - \$ 110.3 million / \$409 per kw

Began Commercial Operation:

Unit 1 - 1975

Unit 2 - 1977

Unit 3 - 1980

Unit 4 - 1981

FY 1989 Generation:

Unit 1 - 1.8 billion kwh

Unit 2 - 1.7 billion kwh

Unit 3 - 1.5 billion kwh

Unit 4 - 1.6 billion kwh

Fuel Consumption - FY 1989:

Unit 1 - 680,701 tons of coal

Unit 2 - 684,175 tons of coal

Unit 3 - 641,997 tons of coal

Unit 4 - 655,379 tons of coal

Fuel Cost - FY 1989:

Unit 1 - \$30,261,517

Unit 2 - \$30,359,874

Unit 3 - \$28,545,189

Unit 4 - \$29,187,419

Fuel Cost per kwh:

Unit 1 - 1.720 cents

Unit 2 - 1.794 cents

Unit 3 - 1.881 cents

Unit 4 - 1.862 cents

Principal Features: Winyah is Santee Cooper's largest generating station. Units were constructed during a half decade of OPEC-driven high inflation, rising construction costs, and fastest growth of demand and energy use in company's history.

Myrtle Beach Combustion Turbines

Location: Myrtle Beach, SC

Fuel Type: Oil

Generating Capability:

Units 1 & 2 - 20 megawatts

Units 3 & 4 - 40 megawatts

Unit 5 - 30 megawatts

Construction Cost (excluding interest):

Units 1 & 2 - \$ 2.7 million/ \$135 per kw

Units 3 & 4 - \$ 3.9 million/ \$98 per kw

Unit 5 - \$ 2.7 million/ \$90 per kw

Began Commercial Operation:

Units 1 & 2 - 1962

Units 3 & 4 - 1972

Unit 5 - 1976

FY 1989 Generation: 8.4 million kwh

Fuel Consumption - FY 1989: 396,227 gallons of oil

Fuel Cost - FY 1989: \$637,241

Fuel Cost per kwh: 7.591 cents

Principal Features: Myrtle Beach combustion turbines were installed to help meet extraordinary peak demands resulting primarily from summertime population explosion along Grand Strand resort area. Units are presently used for peak load generation.

Summer Nuclear Generating Station

Location: Jenkinsville, SC

Fuel Type: Nuclear

Generating Capability:

295 megawatts (1/3 of 885 megawatts)

Construction Cost (excluding interest):

\$336.0 million / \$1,139 per kw

Began Commercial Operation: 1983

FY 1989 Generation: 1.3 billion kwh

Fuel Cost - FY 1989: (\$1,435,726)*

Fuel Cost per kwh: N/A

Principal Features: Santee Cooper has one-third share of plant which is jointly-owned with South Carolina Electric and Gas Company. SCE&G operates and maintains plant. When unit was constructed, it was the first joint nuclear project in the Southeast between public and private utilities.

* During fiscal year 1989, deferred credits and related interest of approximately \$8,756,000 were used to offset the additional fuel costs associated with replacement energy during the Summer Nuclear Station refueling outage.

Cross Steam Generating Station

Location: Cross, SC

Fuel Type: Coal

Generating Capability: 520 megawatts

Construction Cost (excluding interest):

\$366.9 million / \$706 per kw

Began Commercial Operation: 1984

FY 1989 Generation: 3.6 billion kwh

Fuel Consumption - FY 1989: 1,337,494 tons of coal

Fuel Cost - FY 1989: \$64,882,423

Fuel Cost per kwh: 1.827 cents

Principal Features: Cross Station has the largest single unit in Santee Cooper's generating system. It is located between Lakes Marion and Moultrie. A unique feature is the adjoining Aquaculture Center with a two-and-one-half acre greenhouse which operates using residual heat from the station's cooling cycle.

St. Stephen Hydro Generating Station

Location: St. Stephen, SC

Fuel Type: Water (Hydroelectric)

Generating Capability: 84 megawatts

Construction Cost (excluding interest):

\$63.7 million / \$758 per kw

Began Commercial Operation: 1985

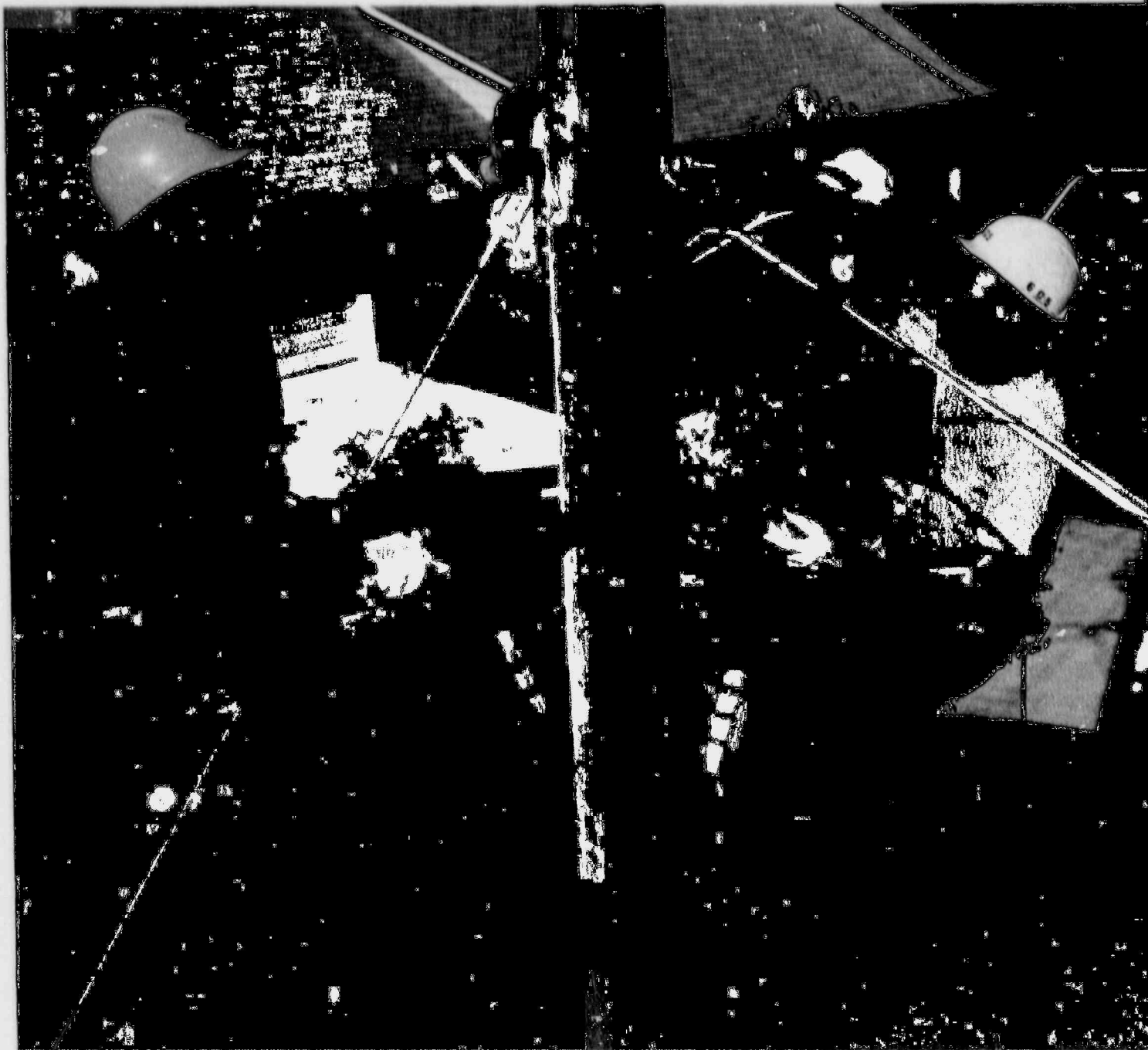
FY 1989 Generation: 168.5 million kwh

Fuel Consumption - FY 1989: N/A

Fuel Cost - FY 1989: none

Fuel Cost per kwh: none

Principal Features: St. Stephen Hydro Generating Station was constructed and is maintained by the U.S. Army Corps of Engineers as part of the Cooper River Rediversion Project. It is operated remotely by Santee Cooper from the energy control center in Moncks Corner. The Rediversion Project was designed to reduce the silting of Charleston Harbor. With its operation, water previously discharged through the generating turbines at the Jefferies Hydro Station is rediverted through the St. Stephen facility and discharged into the Santee River.



fire pump system; cross-connecting the systems of Units 1 and 2 with the systems of Units 3 and 4; providing additional sprinkler capacity at the turbine lube oil locations; and supplying CO₂ systems for the generator exciter cabinets.

Special projects included planning and construction activities for the Atlantic Center for Business and Industry in

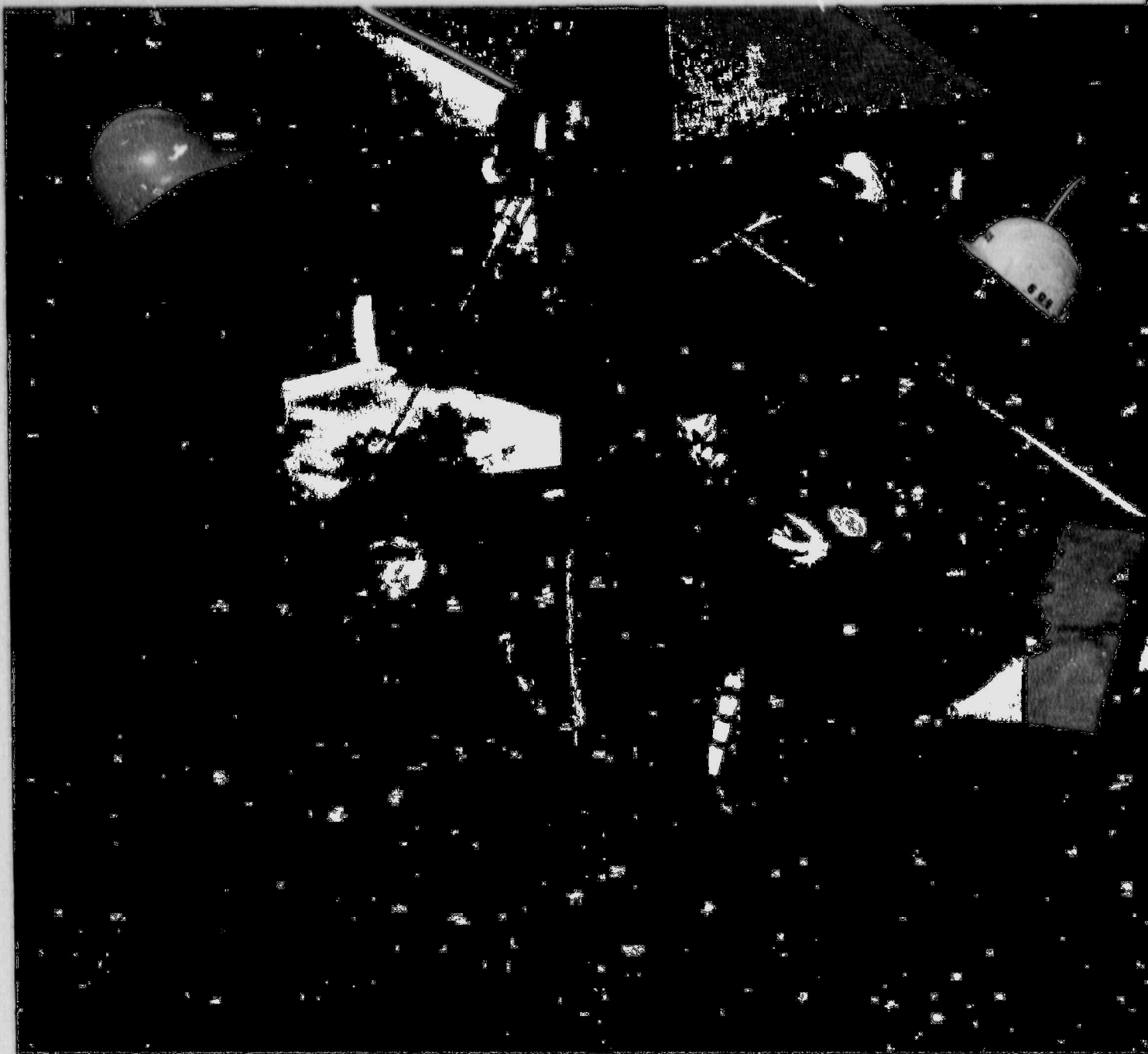
Horry County and construction management services for the completion of the main office annex building.

PERFORMANCE AND ENVIRONMENTAL SERVICES

The Performance Services group conducted ten operating heat rate tests and five ASME (American Society of Mechanical Engineers) turbine cycle per-

formance tests on various generating station units. Cooling tower capability tests on Cross and Winyah generating station towers and performance tests on Cross and Winyah generating station steam generators were conducted.

A computer modeling group was formed in Performance Services to use Santee Cooper's mainframe computer in develop-



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Senior Training instructor George Patrick and Home Telephone Company linemen Chas Burbage and Barry Heyward during training

"Our business is built and entirely phone equipment that hangs underneath. So, the equipment, at the same time, it makes sense to join forces in training our crews, don't?" That's how George Patrick, vehicle plant manager for Home Telephone Company in Meriden, Conn., explains a joint training effort between the two entities, initiated this year.

Through the cooperation of Southern Copper's Jacking and Shuntament unit in Kansas, Oklahoma, newly hired Home Telephone field personnel received both standard instruction in pole climbing, use of equipment, and safety at the company's Corporate headquarters.

The training sessions were conducted to meet the telephone company's

needs. The employees learned and practiced the techniques of "climbing," a term used to describe both climbing, and line climbing. As with all Southern Copper business, safety was emphasized as the first consideration in any type of the work. "We've always worked closely with Southern Copper and in the field," says Patrick. "Additionally, we've trained our workers separately. But most of our skills is learned once there isn't as much opportunity for new employees to learn to climb. That's why we decided to Southern Copper."

Following completion of a full year, several a year with them as their first day of training. By steps with special. "It's hard to believe that this work was the first day there and put in their climbing experience and type."

ing thermodynamic models of each of the generating units.

The Environmental Services section performed numerous analytical tests at Santee Cooper generating stations. Environmental seminars were conducted to educate several employee groups on state and federal regulations and their impact on operations.

The PCB management plan was updated; applications for discharge permits were made; over 100 SPCC plans were published; and work began on storm water discharge permitting. Administration continues in such areas as community right-to-know, used oil management, PCB management, solid and hazardous waste management, monitoring of underground storage tanks, ground water monitoring, and spill prevention, control, and countermeasures.

PRODUCTION OPERATIONS MANAGEMENT

Santee Cooper's generation had one of its most successful years with generation up 7.2 percent over FY 1988. Santee Cooper finished sixth in the nation for heat rate efficiency on coal-fired units. This gives Santee Cooper the most efficient generating system in the Southeast. Savings in coal burned, due to lower heat rates, over the past three years amounted to \$3.53, \$4.46, and \$6.57 million during fiscal years 1986, 1987, and 1988, respectively.

Availability of our coal-fired generation also improved. Coal-fired units averaged 89.2 percent availability, with five of the nine coal-fired units achieving availability greater than 90 percent. The national average availability is approximately 83 percent.

Grainger Station repeated as the Goals Program winner for CY 1988, placing first in five of the seven goals. Grainger achieved an average station availability of 93.6 percent and had only one recordable accident during the year. Cross Station won the heat rate goal, saving the equivalent of \$967,000 in coal when compared to the previous year's heat rate efficiency.

Sales of fly ash, one of the by-products of generation, were \$55,949. Fly ash marketing efforts will continue to increase the use of this resource. A successful project involving use of ash as road base material was moved to Columbia to allow evaluation of the project by South Carolina Department of Highways & Public Transportation officials.

Production performed a rebuild of the Jefferies Hydro Unit No. 4, the first time this has been done since the units were initially operated in 1942. The 24-week outage required complete disassembly and reassembly of the unit and off-site machining of several of the large components. Also, the Spillway Hydro Unit generator

was rewound, and Winyah Unit No. 1's five-year generator inspection was completed.

Production began construction of a maintenance/warehouse complex at Winyah Station to provide large scale shop services to all Santee Cooper generating stations. Also, a computerized maintenance system was started, which will track work requests, coordinate parts, and provide a history on station equipment and maintenance practices.

All indoor PCB transformers in the generating stations were replaced to eliminate the risk of PCB fires occurring inside the generating station structures.

The fire protection systems at all the generating stations were improved to help minimize losses in the event of a fire.

This year, several programs and modifications to improve performance of station equipment were initiated, such as LOI reduction on Winyah Unit No. 3, condenser leak checking, and unit equipment component testing.

POWER SUPPLY

By using its unit commitment and interchange evaluation program, Power Supply has been able to lower the system operating costs and increase our sales of energy to neighboring utilities.

In addition to low-cost economy sales, a contract was signed with Virginia Power for

capacity and energy sales over a two-year period beginning January 1, 1989. This brings Santee Cooper's off-system capacity sales to 215 megawatts. A total of 601,773 megawatt-hours of energy was sold to Virginia Power and North Carolina Eastern Municipal Power Agency over the past year under the off-system sales contracts for a total of \$19.6 million. System controllers purchased 176,360 megawatt-hours of economy energy from the interconnected utilities in FY 89 to displace higher cost generation for a savings of \$670,357. Also, 279,484 megawatt-hours of energy was sold to the interconnected utilities for a total of \$8.5 million.

Santee Cooper's SCADA (Supervisory Control and Data Acquisition) system was expanded both in transmission substations and in generating stations to provide system controllers with greater remote control and monitoring of the power system. A total of nine remote terminal units were installed during the year. Also, computer programs were installed and tested on the SCADA system which will continuously monitor the reliability of the power system.

DESIGN ENGINEERING

Design Engineering completed work on three major transmission line projects and six major substation projects

involving 18 substations. Completion of these projects was necessary to meet increased customer demand on Santee Cooper's system.

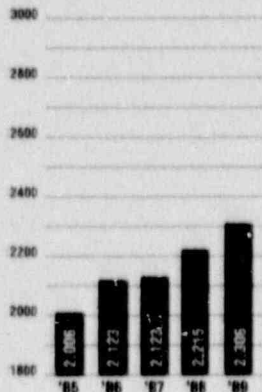
In addition, design was completed on 12 major Communications and SCADA projects including four microwave sites, a computer link between the transmission and distribution SCADA systems, and an alarm system that will warn Santee River Basin residents in the event of a breach in the North Santee Dam.

Phase III of a four-phase project for the inventory and mapping of the distribution system was completed. This will greatly aid operation and maintenance of the system by providing an accurate record of the facilities in the field.

Phase I of a three-phase project to network and integrate

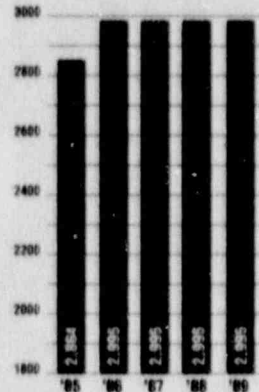
Peak Demand

Fiscal Year / In Megawatts



Capacity

Fiscal Year / In Megawatts





Part has special meaning at Santee Cooper. It stands for the company's commitment to employee involvement and participative management. Through the Program for Employee Participation, small groups of employees who do similar work meet regularly to identify, analyze, and solve work-related problems.

The result? Working smarter leads to savings for the utility, and that equates savings for customers. Explains PEP administrator Glen Brown, "The process improves communications, promotes teamwork, provides time and methods to identify problems, and trains employees in problem solving techniques."

Santee Cooper linemen formed some of the first PEP teams. "The line crews were natural for this concept. Solving problems is a big part of their job," says

Brown. Linemen Task Force 2, for instance, tackled the problem of uniform material placement on line trucks, bucket trucks, and service trucks. "We've got five crews in Myrtle Beach, and sometimes we rotate linemen from one crew to another," says service representative Earl Cooke. "If someone switched to a different crew, he had to spend some time learning where they kept all the working stock—small items like connectors, crimpers, grips, and hoses."

Now, as a result of the PEP project, linemen are able to locate material with ease. "We can do our service work faster without misplaced materials. And it helps during night and emergency situations, too," says Cooke.

Carlton Butler, Earl Cooke, and Jimmy Chrost with Myrtle Beach line crew



R has special training at Carter Cooper. It stands for the company's commitment to employee involvement and participative management. Through the Program for Employee Participation, small groups of employees solve the similar work most rapidly to identify, analyze, and solve work-related problems.

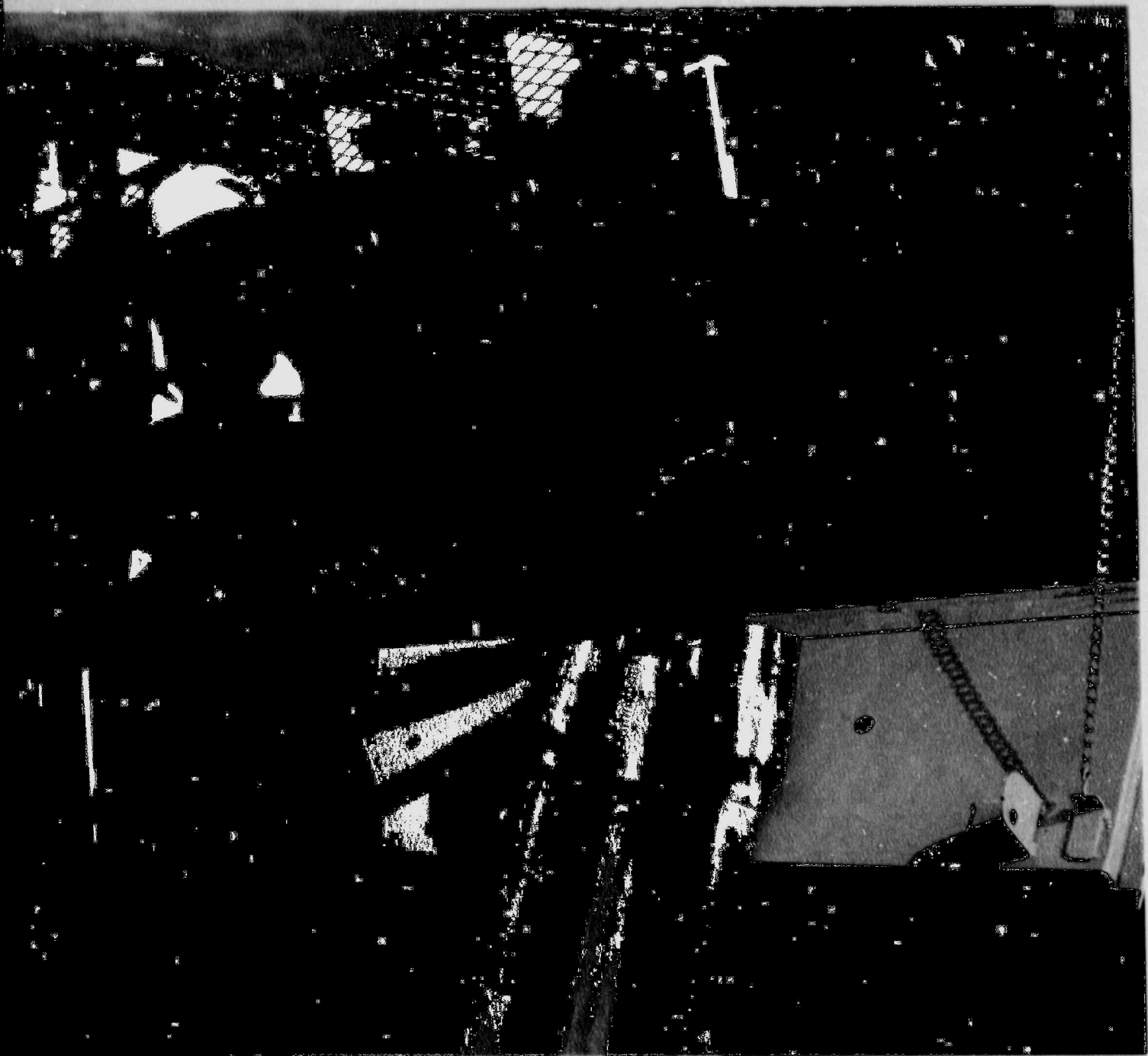
The expert's working method leads to savings for the utility, and that means savings for customers. Captain PVP administrator Jim Brown, "The process improves communication, promotes teamwork, provides time and methods to identify problems, and trains employees in problem solving techniques."

Carter Cooper Brown looked out of the first PVP house. "We like some type activity for life concept. Solving problems is a big part of this job," says

Brown. Unknown Jack Power 2, for instance, tackled the problem of antenna external placement on line towers, tower heads, and under heads. "We've got the wires in Myrtle Beach, and sometimes we rotate towers. They are hard to install," says service representative Earl Cooke. "If someone noticed in a different area, he had to spend more time working, where they had all the working clock—small time like maintenance, cleanup, pipe, and more."

Now, as a result of the PVP project, Brown is able to handle external with ease. "We can do our work much faster without replacement materials. It's a huge saving right and company efficiency, too," says Cooke.

Carlton Butler, Earl Cooke,
and Jimmy Green with
Myrtle Beach line crew



non-dedicated computers within the company is complete which will enable departments to work together from common data bases.

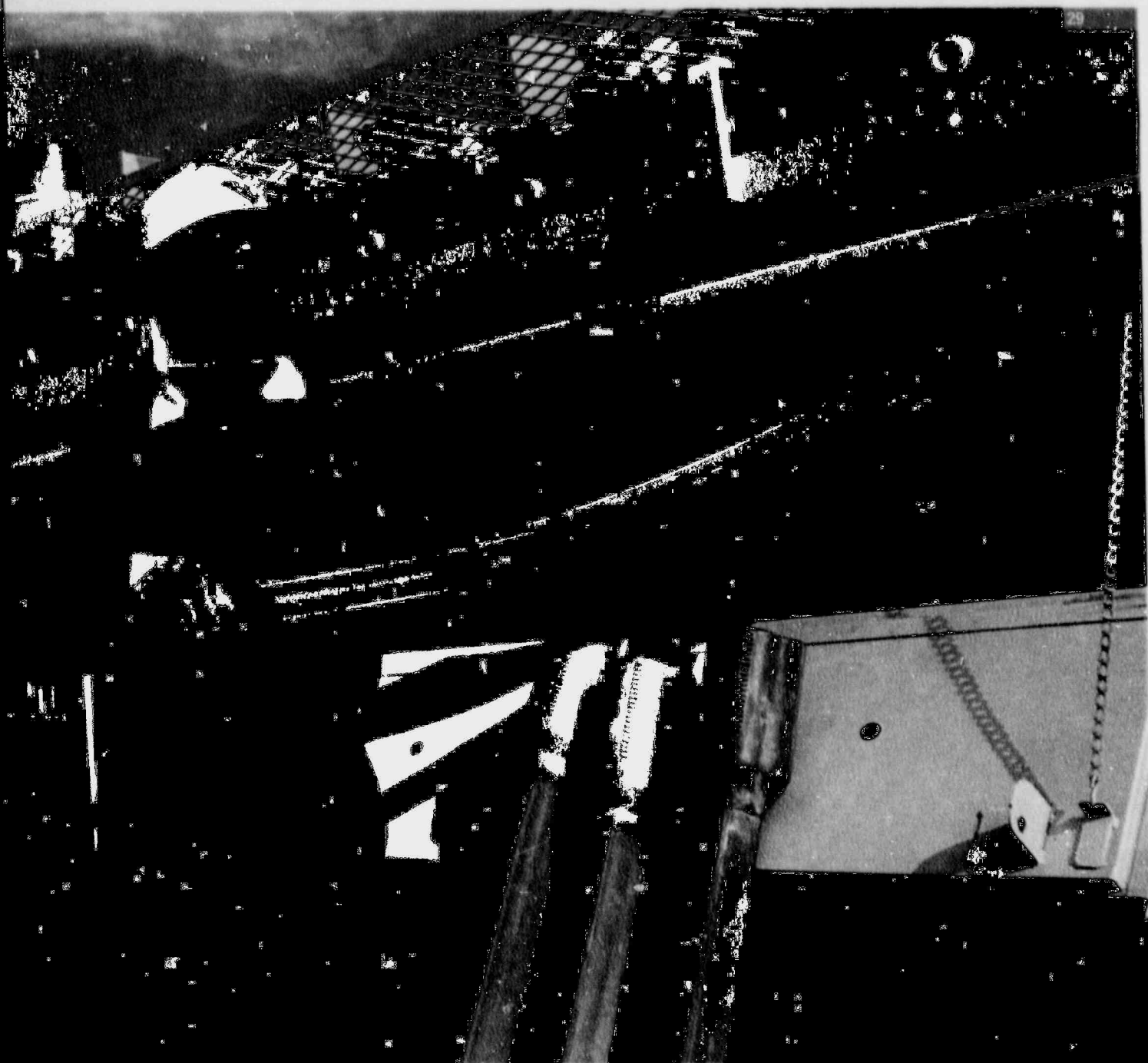
Survey work for the Old Santee Canal State Park and the Atlantic Center for Business and Industry aided other departments in successfully developing these properties.

GENERAL CONSTRUCTION

Santee Cooper's 42 miles of dams and dikes and its 59-mile-long navigation channel were maintained by work forces in General Construction who removed floatage and repaired the structures, channel markers, and buoys. An additional three miles of navigation channel were added this year through a joint venture between the South

Carolina Wildlife and Marine Resources Department and Santee Cooper. The project involved clearing a 100-foot-wide channel from the north side of Lake Marion near Goat Island to the south side near Rocks Pond. This will ensure safe passage for those wishing to cross Lake Marion between these two tourist areas.

Many innovative projects are



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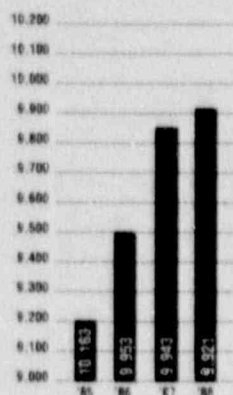
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Many innovative projects are

System Heat Rate

BTU / KWH (In Thousands)
Calendar Year



underway to protect the safety and integrity of the project's dams. Over one million yards of soil have been moved downstream of the North Santee Dam during the past three years to provide controlled drainage and a cleared area for inspection. Construction has begun on completely replacing the Santee Spillway approach structure to return it to its original condition. The structure is 125 feet long and 16 feet wide, weighs approximately two million pounds, and will rest on eight piers extending through the dam over 70 feet in depth. Plans are complete to begin construction on a rock weir or submerged rock dam in the Diversion Canal that is part of the Federal Energy Regulatory Commission requirements for response to an emergency at the North Santee Dam.

The submerged portion of the dam will be ten feet high and approximately 20 feet below the surface of the Diversion Canal and will act as the foundation for a cutoff dam to prevent flows from reversing in the unlikely event of a breach of the North Santee Dam. More than 20,000 tons of rock will be placed in the canal, and 30,000 tons will be stockpiled nearby. All of this work will have no effect on lake operations or recreational use and will preclude the need for rebuilding the North Santee Dam which will be a savings to the ratepayers of over \$500 million.

Work is well underway for the Pinopolis West Dam Seismic Mitigation Project being performed by the U.S. Army Corps of Engineers. The work, estimated to cost \$30 million, will be completed in October 1990.

A recent addition to General Construction services supporting new capital construction is a civil engineering testing laboratory for performing routine testing for corporate construction.

TRANSMISSION OPERATIONS

More than 13 billion kilowatt-hours of electricity were delivered to almost 400,000 customers through Santee Cooper's transmission system. This system consists of 3,437 miles of line and 58 transmission substations and switching stations with voltages ranging from 34,500 to 230,000 volts.

Power was supplied to over 86,000 retail and commercial customers, two municipalities, three military installations, 30 industrial customers, and approximately 311,000 customers served by 15 of the state's 20 electric cooperatives. Delivery points increased by eight to a total of 232. Transmission Operations maintains 14 transmission line ties with neighboring utilities.

Right-of-Way Management crews and contractors recleared 12,300 acres and maintained 70,000 danger trees system-wide. In an innovative approach to vegetation control and land conservation, the Right-of-Way Management section undertook two new programs. A helicopter-borne set of saws was used very effectively to sidetrack 62 miles of right-of-way. Compared to conventional tree trimming methods, this operation reduced expenses by 20 percent, took approximately one-tenth of the time, and caused no soil damage as is common in conventional means. Also, a comprehensive erosion control policy was instituted, including various plantings and soil stabilization activities.

PROJECT MANAGEMENT

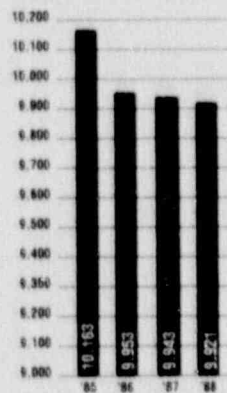
Project Management coordinated substation and transmission line projects to provide improved system reliability for customers through new construction and upgrading of

CORRECTION

We apologize for the incorrect graphics on the System Heat Rate chart on page 30 of the FY 1989 Annual Report. The numbers are correct but the bars are not. This mixup occurred due to the disruption of operations caused by Hurricane Hugo, which occurred on September 22, as the annual report was in its final stages of approval. The correct System Heat Rate chart is printed here:

System Heat Rate

*BTU / KWH (In Thousands)
Calendar Year*



existing facilities.

In the Horry-Georgetown area, the Windy Hill 115-12 kV Substation was completed, and work continued on the Campfield-Arcadia project.

In addition, design and construction for projects to support Central Electric Power Cooperative, Inc. totaled \$9 million for FY 89. Projects completed were the 25-mile Aiken-Batesburg 230 kV line, Northern Aiken Loop, Crossroads Tap, and work at the Bluffton 230-115 kV Substation.

Elsewhere on the system, construction continued on the Charleston Naval Shipyard substations and transmission lines with completion scheduled for August 1989.

CORPORATE COMMUNICATIONS

Efforts were concentrated during the year in telling the story of Santee Cooper working together with its customers, employees, investors, and the people of South Carolina.

Corporate Communications directed the production of "Pushing Back The Darkness," a 24-minute historical documentary film which was produced by the South Carolina Educational Television Network and aired statewide during National Public Power Week.

The film was also distributed in videocassette format along with a new full color booklet and brochure to all school, university,

and public libraries throughout the state. The "Pushing Back The Darkness" booklet tells the story of Santee Cooper's accomplishments in bringing electric power and economic progress to South Carolina, and the "Public Power Owned By The People Of South Carolina" brochure explains the company's role as a state-owned energy resource.

Working together with the electric cooperatives and other organizations, Santee Cooper increased its joint advertising, communications, and community support. Additional communications and joint marketing support was provided to the Electric Cooperatives of South Carolina, the statewide co-op organization, and to Palmetto Economic Development Corporation, a new joint economic development project of Santee Cooper and Central Electric Power Cooperative, Inc.

Santee Cooper also worked directly with several cooperatives and the state's municipal power association in promoting National Public Power Week in October. This included proclamations signed by the governor and several mayors and the publication of a tabloid section on "Public Power in South Carolina," which was inserted in four South Carolina weekly newspapers.

A desktop publishing system was installed by Corporate Communications to increase

capabilities and improve the efficiency of in-house publications, graphic arts production, and other communications support.


For the fifth consecutive year, Santee Cooper won the top award for annual reports in the annual competition sponsored by the Advertising Federation of Charleston.

GOVERNMENTAL AFFAIRS

Santee Cooper came to the aid of South Carolina's electric cooperatives by conducting a series of legislative breakfasts to inform members of the General Assembly about Santee Cooper's role as South Carolina's major public power resource and the benefits of public power to the state. The staff also testified before House and Senate subcommittees in support of legislation which was passed to protect the electric cooperatives from hostile takeover attempts.

Legislation was also passed to include Sumter County among the counties which would be able to purchase treated water from Santee Cooper through a residual water treatment facility which was authorized in legislation passed the previous year. Other legislation impacting the Santee Cooper lake system included a new state law reducing the daily limit for striped bass from ten to five in South Carolina's lakes and rivers.

In the final days of the



*I*t was called South Carolina's newest and most unusual state park, and it has lived up to its advance billing. In a cooperative effort, Santee Cooper and the South Carolina Department of Parks, Recreation & Tourism (PRT) developed the Old Santee Canal State Park in Moncks Corner as properly preserved from the original Santee Cooper Hydro Electric and Navigation Project. When the gates swung open in July, visitors began to explore the park's love of architectural, engineering, and natural history.

An active heron rookery and an osprey nesting area are among the highlights of the 235-acre park, where visitors are free to wander more than two miles of boardwalks and trails. "Our visitors like the boardwalks," says Mary Seabrook, one of two park curators. "It gives them a sense of security. Yet they are still so close to the environment that they can

see fish feeding in the water." The path follows the last one-mile section of North America's first completely dug canal, the Santee Canal. This 1800 engineering feat gave produce-laden barges from the state's interior direct access to the port of Charleston.

Canoe rentals offer visitors the opportunity to paddle a part of the canal and to explore the cypress swamp environment of Biggin Creek basin.

Park superintendent Ed Nesbitt says that when the planned interpretive center opens next year, the park's special dual focus will be fully realized. "What attracted me to this park is its concept of interpretation and its inclusion of education," he explains. The new center will be the largest in the state park system, housing extensive exhibits on Low-country geology, plants, animals, and history.

Ed Nesbitt and Mary Seabrook in Old Santee Canal State Park

It was called Santa Catalina's second and most unusual state park, and it has lived up to its name's billing. In a very real sense, Santa Catalina and the Santa Catalina Band of Pomo, Shasta, Karok & Maidu (PSC) developed the Old Santee Canal State Park in Mendocino County as a project conceived from the original Santa Catalina State Park and that park's reputation. The park was opened in 1964. It was long to explore the park's history of settlement, engineering, and natural history.

An early Indian village and an early mining area are among the highlights of the park's history, and visitors are told to wonder more than two miles of granite and tuff. "The visitor the historicity," according to the park's history, "is given that a sense of history. And they are told to think to the past and that they are

are still living in the world." The park follows the last one with visitors of Santa Catalina's first company, the Santa Catalina Canal. This 1900 engineering had gone from Santa Catalina to the state's history about seven to the part of California.

Canal visitors after visitors the opportunity to provide a part of the canal and to explore the unique history and development of Santa Catalina Canal.

Park superintendent Ed Nesbit says that when the planned interpretation center opens next year, the park's special that have "will be fully restored. What attracted me to this park is the concept of interpretation and the nature of education," he explains. The new center will be the largest in the state park system, housing extensive exhibits on interesting geology, plants, animals, and history.

Ed Nesbit and Mary
Seabrook in Old Santee
Canal State Park



legislative session, a bill was introduced to transfer the operations and management of Patriots Point, the world's largest naval and maritime museum, to Santee Cooper. This bill resulted from a request by Governor Carroll Campbell and the State Budget and Control Board, who sought to prevent \$21 million in bonds on an unfinished state-owned project from going into default due to financial

difficulties of the private developers. After passage in the Senate, time ran out on the legislation, and the bill died in the House on a point of parliamentary procedure.

The Governmental Affairs staff also worked closely with governmental officials and a variety of state agencies on matters relating to environmental protection, economic development, recreation,

tourism, and human resources. Close working relationships included cooperative efforts with the State Development Board, Department of Parks, Recreation and Tourism, South Carolina Chamber of Commerce, South Carolina Tourism Council, Coordinating Council for Economic Development, Department of Consumer Affairs, and the South Carolina Chapter of the American Institute of



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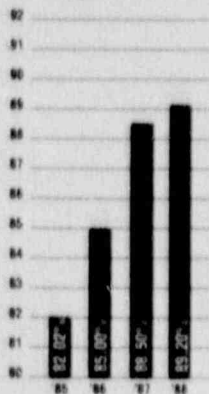
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Availability Summary

Percentage (All Stations)
Calendar Year



Architects, with whom Santee Cooper co-sponsored a state-wide energy design awards competition.

MARKETING

The Atlantic Center for Business and Industry in Conway continued to play an important role in Santee Cooper's economic development efforts. The 272-acre industrial park is a joint project of the utility and Horry County.

The center's second tenant, Century II, located its world headquarters in three of the available buildings. Century II, a manufacturer of mobile construction cranes, will employ up to 200 people. The first crane

rolled off the plant's assembly line in late March.

Another new business to locate in Santee Cooper's service territory was Powertex, a producer of plastic liners for bulk shipping containers. This company will employ up to 90 people in its facilities near Moncks Corner.

Along with local, public, and private business sponsors, Santee Cooper promoted South Carolina's economic potential when the state played host to both the Industrial Development Research Council and the Southeast United States/Japan Association. In addition, the utility continued to work closely with Palmetto Economic Development Corporation to recruit new industries to the state.

FLOOD CONTROL

As part of its flood control program, Santee Cooper conducts spilling operations when necessary to maintain proper elevations of the Santee Cooper lakes and to reduce flooding of the lower Santee River. Spilling was not required during the past year due to drought conditions, adequate capacity for lake storage, and efficient operation of the Jefferies and St. Stephen hydro units.

PROPERTY MANAGEMENT

The Property Management unit administered approximately 4,350 leases around the 152,688-acre Santee Cooper lakes. The

leases include recreational lots in Santee Cooper subdivisions, marginal lots adjacent to privately-owned subdivisions, commercial lots, gratis leases to public and quasi-public agencies, and various miscellaneous leases for public recreational facilities. Revenues from these leases totaled \$671,386 last year.

Property Management personnel provided maintenance and repairs for 18 public boat launching ramps and parking areas leased by the South Carolina Wildlife and Marine Resources Department.

Santee Cooper, in conjunction with the South Carolina Department of Parks, Recreation and Tourism, completed work on docks, boardwalks, observation stations, and walking trails, as well as restoration of the Stony Landing Plantation House at the Old Santee Canal State Park. The 200-acre historical and environmental park is located near Santee Cooper's corporate office in Moncks Corner.

Construction of boardwalks, piers, swimming areas, and picnic facilities are in the planning and design stage on 32 acres of land on Lake Marion. This land, to be used as a recreational park for the general public, has been leased, at no cost, to Orangeburg County.

Almost 18,900 acres of prime wildlife and waterfowl habitat were leased to the South Carolina Wildlife and Marine Re-

sources Department, at no cost, for use as part of the state's Wildlife Game Management Area Program. More than 101,000 genetically improved pine seedlings were planted on 147 acres of Santee Cooper lands as part of the reforestation program. Approximately 1,627 acres of woodlands were controlled burned to reduce wildfire hazards, improve aesthetics and wildlife habitat, and control undesirable species. Approximately 150 miles of firebreaks were constructed or maintained around young pine tree plantations to protect them from wildfires.

Annual revenues from the sale of forest products and agricultural leases totaled more than \$273,000.

ENVIRONMENTAL RESOURCES

Environmental Resources acquired \$391,000 in federal and state funds from the South Carolina Aquatic Management Council for noxious aquatic vegetation control in Lakes Marion and Moultrie during the year. This funding was coordinated by the South Carolina Water Resources Commission. Santee Cooper provided between 15 and 50 percent in matching funds for various aspects of this program.

The Charleston District of the U.S. Army Corps of Engineers provided funds to the United States Army Engineers Water-

ways Experiment Station in Vicksburg, Mississippi, to conduct research studies on the large scale release of triploid (sterile) grass carp in the Santee Cooper reservoirs for aquatic weed control. The research will cover a four-year period at a cost of more than \$2 million. The studies will investigate the impact of the fish on native fishes and water quality, as well as fish movement and their efficacy in controlling the growth of submersed plants.

The management plans for lake zoning and aquatic plant management were revised and submitted to the Federal Energy Regulatory Commission. The Mosquito Abatement Management Plan was re-written and filed with the Department of Health and Environmental Control.

About 100,000 triploid (sterile) Chinese grass carp were released in the upper regions of Lake Marion for biological control of hydrilla and other submersed aquatic vegetation. This stocking was the first phase of a three-year, \$1.2 million program which was planned and authorized by the South Carolina Aquatic Plant Management Council. The South Carolina Water Resources Commission coordinated the purchase, release, and public funding of the joint effort. Funding was provided by the U. S. Army Corps of Engineers at 50 per-

cent, the S.C. Water Resources Commission at 35 percent, and Santee Cooper at 15 percent.

MOSQUITO ABATEMENT

The Mosquito Abatement unit experienced a decrease in mosquito activity during the year due to the spring and early summer drought. A significant outbreak occurred in September and early October in the upper portions of Lake Marion, where aquatic plant biomass was extremely high. The outbreaks were controlled by aerial and ground spraying operations.

Mosquito control operations were conducted on all Santee Cooper properties in the five-county area surrounding the lakes, with more than 115,600 acres treated by air and ground equipment. More than 7,160 inspections and surveys were conducted to measure the density of larval and adult mosquitoes, establish threshold annoyance standards, and schedule control activity. Approximately 250,000 *Gambusia affinis* (mosquito fish) were obtained from the Aquaculture unit and stocked in mosquito breeding habitats throughout the ten abatement zones.

WATER QUALITY MANAGEMENT

On a monthly basis, the Water Quality Management section sampled each of the 53 ambient water quality monitoring stations located throughout



the Santee Cooper lakes for physical, chemical, and biological conditions. The water quality laboratory performed 21,574 analyses during the year.

The unit completed a five-year sampling study, mandated by the Federal Energy Regulatory Commission, of the Rickenbaker Canal System.

During the year, joint studies included an evaluation of the GSX Hazardous Material Dis-

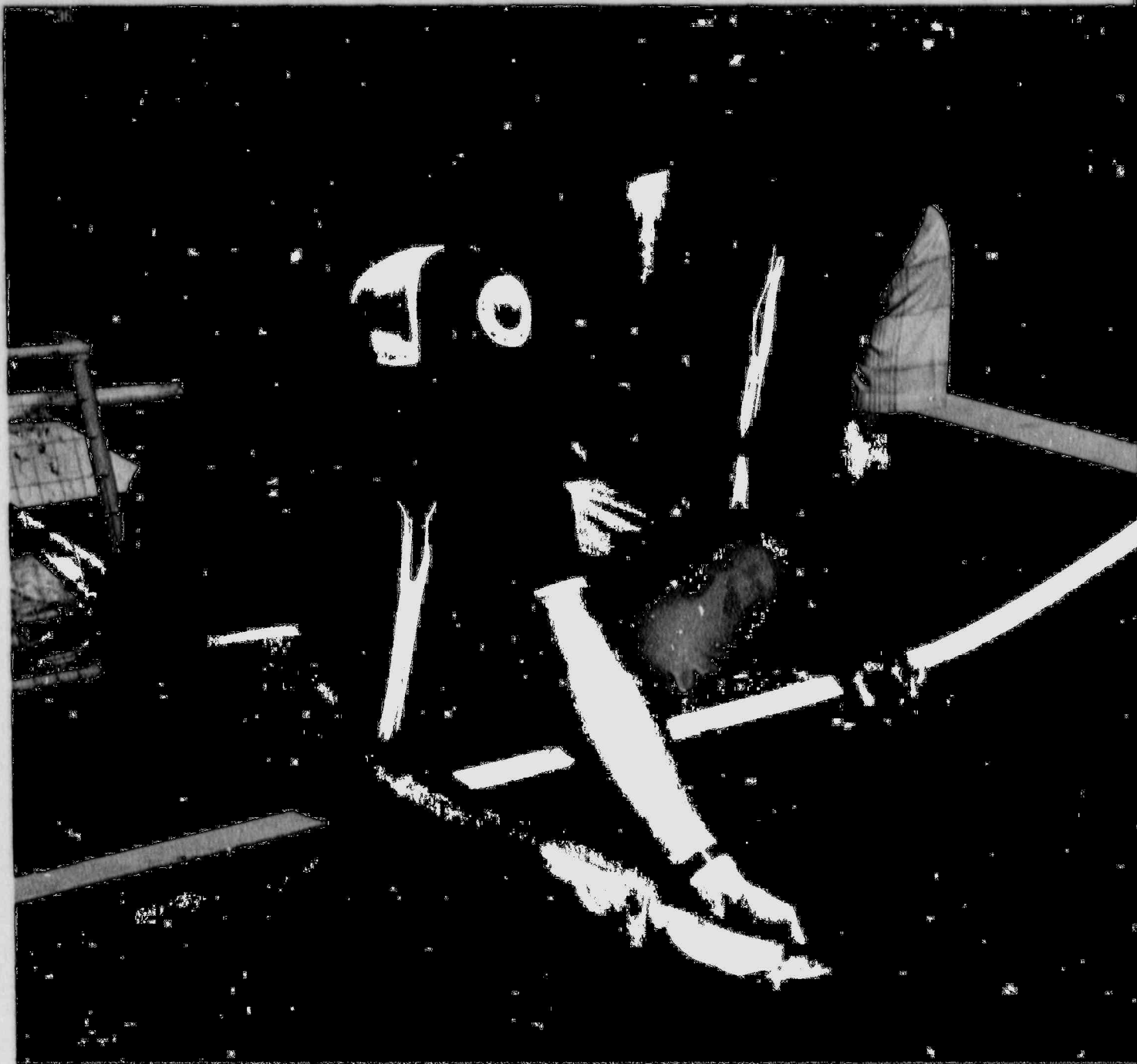
posal Site near Pinewood, a study of striped bass egg transport in the Santee River, a determination of the nutrient loading budget of the lakes, and an evaluation of the impact of the stocking of sterile grass carp on the water quality of upper Lake Marion.

Aquatic plant control was conducted on 2,354 acres of noxious aquatic vegetation. Herbicides approved by the En-

vironmental Protection Agency were applied by helicopter, airboat, and truck-mounted spray units. Approximately 55 percent of the program cost was funded by the South Carolina Aquatic Plant Management Council and the U.S. Army Corps of Engineers.

AQUACULTURE

The Aquaculture unit at the Winyah Generating Station



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The unit completed a five-year sampling study, mandated by the Federal Energy Regulatory Commission, of the Rickenbaker Canal System.

During the year, joint studies included an evaluation of the GSX Hazardous Material Dis-

posal Site near Pinewood, a study of striped bass egg transport in the Santee River, a determination of the nutrient loading budget of the lakes, and an evaluation of the impact of the stocking of sterile grass carp on the water quality of upper Lake Marion.

Aquatic plant control was conducted on 2,354 acres of noxious aquatic vegetation. Herbicides approved by the En-

vironmental Protection Agency were applied by helicopter, airboat, and truck-mounted spray units. Approximately 55 percent of the program cost was funded by the South Carolina Aquatic Plant Management Council and the U.S. Army Corps of Engineers.

AQUACULTURE

The Aquaculture unit at the Winyah Generating Station

Danny Johnson and John Carothers examining grass carp from Lake Marion

When the U.S. Army Corps of Engineers and the South Carolina State Department of Natural Resources began testing grass carp in Lake Marion, South Carolina, in 1981, they were looking for a way to control the growth of aquatic plants in the lake. The lake is a major water source for the Charleston area and is used for recreation. The growth of aquatic plants has been a problem for many years, and the U.S. Army Corps of Engineers has been working to control it. The grass carp method has been tried in smaller water systems, but this is the first time it has been used in a large body of water like Lake Marion.

Since these federal and state agencies have worked together since 1981 on herbicidal weed control in the Santee Cooper system, this is the first time the grass carp method has been tried. "We've tried this method of weed control in smaller water systems," states John Carothers, chief of Environmental Resources for the Charleston District of the U.S.

Army Corps of Engineers. "The idea is to control the growth of aquatic plants in the lake. The grass carp method has been tried in smaller water systems, but this is the first time it has been used in a large body of water like Lake Marion."

The grass carp method is a biological control method. It involves releasing grass carp into the lake. The grass carp will eat the aquatic plants, and the U.S. Army Corps of Engineers will monitor the results. The grass carp method is a long-term solution to the problem of aquatic plant growth. It will help to control the growth of aquatic plants in the lake and improve public use of the lake.

loss of plants until the next year. Santee Cooper Water Quality Management supervisor John Johnson states, "The grass carp method, which costs less than herbicide applications, should help provide effective long-term weed management and improve public use of lakes Marion and Moultrie."



produced more than 12,000 triploid (sterile) Chinese grass carp fish, approximately 500,000 *Tilapia* fish, and over 2,000 pounds of catfish during the year. The triploid grass carp were stocked in Potato Creek and Dean Swamp impoundments for biological control of noxious aquatic vegetation, while the *Tilapia* were mainly used for weed control maintenance in the Winyah Station cooling reservoir. Remaining *Tilapia* were sold for weed control, and the catfish were marketed to a processing firm for sale as a food-fish.

The Aquaculture unit continued its cooperative program with the University of South Carolina in training Peace Corps volunteers who teach aquaculture when sent to third-world countries.

HORTICULTURE

The Horticulture unit produced 183,482 pounds of tomatoes during its final growing season. A bacterial disease destroyed the tomato crop early, resulting in a loss of approximately 75 percent of the 23,000 tomato plants being grown in the greenhouse. Total revenue from tomatoes was approximately \$91,766, with excellent price and demand throughout the harvest months. Red, yellow, orange, and purple bell peppers were grown in two houses to evaluate production and sales.

About 2,390 pounds were produced and sold with revenues of \$5,860. During most of the growing season, peppers returned \$2.50 per pound.

PROGRAM FOR EMPLOYEE PARTICIPATION

Executive management strengthened their efforts to make employee participation a way of life at Santee Cooper. Total involvement by the entire work force in PEP (Program for Employee Participation) is the goal of Santee Cooper's executive management. At the end of FY 89, there were 452 employees participating on 66 PEP teams, and a total of 114 projects were completed. These numbers represent increases of 30 percent, 43 percent, and 115 percent, respectively, over the previous fiscal year. PEP project improvements resulted in a net annual savings of more than \$143,812 to Santee Cooper customers. During team meetings, employees are taught to apply problem solving, meeting management, and communication skills in order to identify problems, recommend changes, and implement improvements. Following are some examples of successful projects.

A Bulk Material Handling team at the Cross Generating Station thought they were spending too much time cleaning up coal spillage from under the coal conveyor system. They

decided to place a water wash down header along the length of the conveyor, which improved access to the water supply and reduced man-hours required for wash down. They turned a two-man job into a one-man job with net savings of \$5,000 per year.

The Blythewood line crew PEP team reviewed the procedure for repairing or replacing wooden transmission poles damaged by woodpeckers. The team researched newly developed methods of repair and recommended a new process, which will net the company \$5,500 in annual savings by reducing pole replacement.

A PEP team from Management Information Systems looked at the process of making changes to application software. As a result, MIS personnel attended a four-hour change management workshop. Next, employees will define the current processes of putting software changes into production and eliminate steps that contribute to inefficiency. The team's recommendations will result in faster turn around time when making changes, saving approximately 385 man-hours, or \$6,500 annually.

The Horry-Georgetown Division Stores personnel worked with the Plant Accounting and Material Control units to reduce the amount of time, paperwork, and transactions required to issue minor, inexpen-

sive items used routinely by line crews. The solution, working stock, has increased stores and line crew efficiency, raised morale, and improved cooperation between the units, in addition to saving Santee Cooper an estimated \$30,000 per year.

EMPLOYEE RELATIONS

Many new contacts were established with local schools and regional colleges such as Hampton University, University of South Carolina, Clemson, South Carolina State, and North Carolina A & T. Meetings were held with placement directors and students to acquaint them with Santee Cooper and to expand recruiting sources.

Employee activities during the year included the annual company picnic, attended by over 1,700 employees, retirees, and family members; golf and softball tournaments; and aerobics and weight watching classes.

The health insurance program began a prescription card plan for employees and their eligible dependents. Also, Medi-Call, a utilization review plan, started on a voluntary basis. This program ensures that medical questions, length of hospital stays, and medical course of treatment are expedited to control overall medical costs.

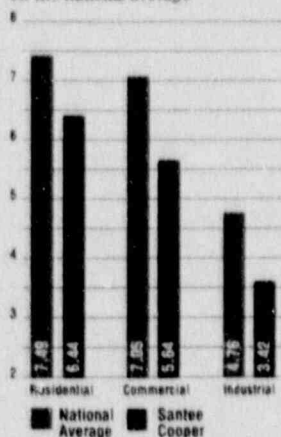
Non-exempt positions were re-evaluated to more accurately

reflect job responsibilities. A pre-retirement briefing program, covering many personal and economic issues, was conducted for 65 employees and their spouses.

Santee Cooper hired 75 new employees during the year, for a total of 1,605 regular employees. One hundred fifty-eight employ-

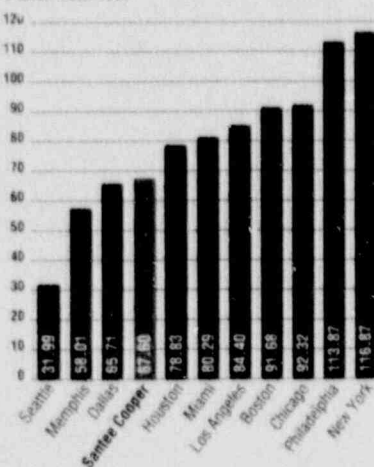
Rates

Cents/KWH (Fiscal Year 1989)
Compared with utilities based on the national average



Rate Comparison

1000 KWH Residential Average Cost in Dollars
Fiscal Year 1989





ees were promoted to positions of greater responsibility. Fifty-four productivity or safety suggestions were submitted to the company's Suggestion Program.

OCCUPATIONAL HEALTH

A full-time nurse was assigned to the Horry-Georgetown Division this year, which improved the coverage for division employees. Annual physicals

included the expanded health risk profiles, with many employees taking great pride in lower cholesterol levels which reduced their coronary risk factors. A total of 1,429 physicals were provided to employees, and 172 pre-employment examinations conducted.

Occupational Health coordinated and taught basic and refresher courses in cardio-

pulmonary resuscitation and first aid. Several employees used this knowledge to save the lives of co-workers and family members.

Occupational Health conducted hearing conservation and back injury prevention training. The department also helped coordinate the American Red Cross Blood Donor Program. Individual health counseling was provided to 112 employees, and



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257 employees received referrals.

TRAINING AND DEVELOPMENT

A total of 825 internal and external training programs in various subject areas of management, professional, technical, and skills development were attended by approximately 4,000 employees. The corporate training course catalog was revised and updated to reflect available training.

New training equipment, video programs, cassette courses, books, and other self study courses were added to Training's lending library.

Courses leading to two- and four-year college degrees and graduate degrees were completed by 250 employees through the tuition aid program, and 30 employees received their degrees.

SAFETY

In 1988, Santee Cooper received first place recognition for its safety record among large publicly-owned electric utilities. For the 15th time since 1964, the company earned the top safety award presented by the American Public Power Association for having worked 3,214,210 worker-hours with an incident rate of 0.37. This rate is below the national average and the best since 1981. The National Safety Council issued 22 organizational unit awards, as did the South Carolina Occu-

pational Safety Council.

Right-of-Way Management and Darlington Area and Orangeburg Area Transmission units were presented the Award of Merit for no recordable injuries. The President's Award was presented to 33 units for no disabling injuries while operating under hazardous conditions. Safe service awards were presented to 272 employees; safe driver awards were given to 135 employees; and 13 employees were cited for avoiding injury by wearing protective devices or equipment. Five employees were recognized for outstanding leadership in units operating for 15 years without a disabling injury, and four employees were recognized for outstanding leadership in units operating for 20 years without a disabling injury.

Workers' Compensation premiums were reduced by 24 percent because of the utility's improved safety record. Also, the Industrial Hygiene unit was transferred to Safety in January 1989. Industrial Hygiene trained 497 employees to use respirators and took 258 samples to monitor for possible contaminants in the work place.

CORPORATE FORECASTING, RATES, AND STATISTICS

A mail survey of residential customers was conducted to obtain end-use, appliance saturation, and demographic data. Santee Cooper received a

strong response to the survey. The data was compiled and analyzed for use in forecasting models which project residential energy consumption by appliance. Such detail projections allow Santee Cooper to better promote energy conservation programs and reduce costs to customers.

With the assistance of Stone and Webster Management Consultants, a long-range forecast of demand and energy requirements for all Santee Cooper customers was prepared. The forecast was conducted as part of a complete planning study aimed at identifying the most economical resource addition to meet future customer needs.

In August 1988, the Rates and Statistics unit upgraded their computer/translation/billing system to a computer that processes data approximately five times faster, and improves productivity in billing, report generation, and back-ups. The system also integrates the processing of the new solid-state metering technology with that of the old magnetic tape technology.

Santee Cooper continues to be recognized as a leader in the utility industry for its demand-side management program. Myrtle Beach Air Force Base, one of three military installations served by Santee Cooper, became the first military installation in the United States to

commit to the Good Cents Program offered under Santee Cooper's demand-side management program.

Also, Santee Cooper won the American Public Power Association's National Energy Innovator Award for the third time. The award recognizes Santee Cooper for its leadership in the development and implementation of a state-wide energy-efficient mobile home standard for South Carolina. Corporate Forecasting, Rates, and Statistics, working together with Energy Management, devised new regulations to provide uniform energy efficiency standards for mobile homes sold in South Carolina.

MANAGEMENT INFORMATION SYSTEMS

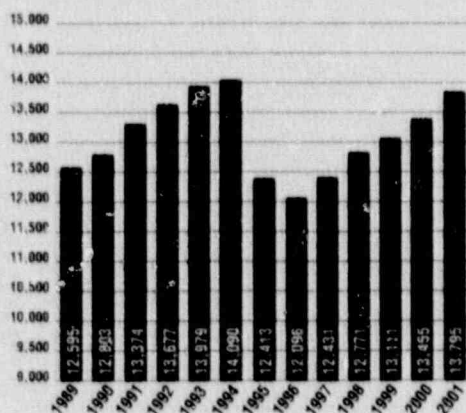
Hardware, software, and services provided to employees were reviewed and enhanced by Management Information Systems (MIS) to help Santee Cooper meet its information processing needs. Almost all mainframe system software was upgraded, and disk storage devices were replaced with newer models for speed and storage space.

Computerized support for automated check reconciliation, inventory cycle counting, and a supervisory information system were developed by Systems and Programming.

The Information Center (IC) was created to support end-user

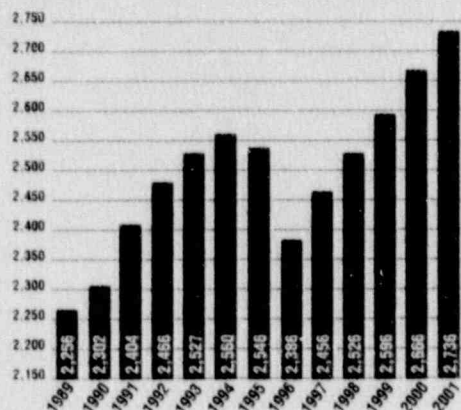
Total Energy Forecast (GWH)

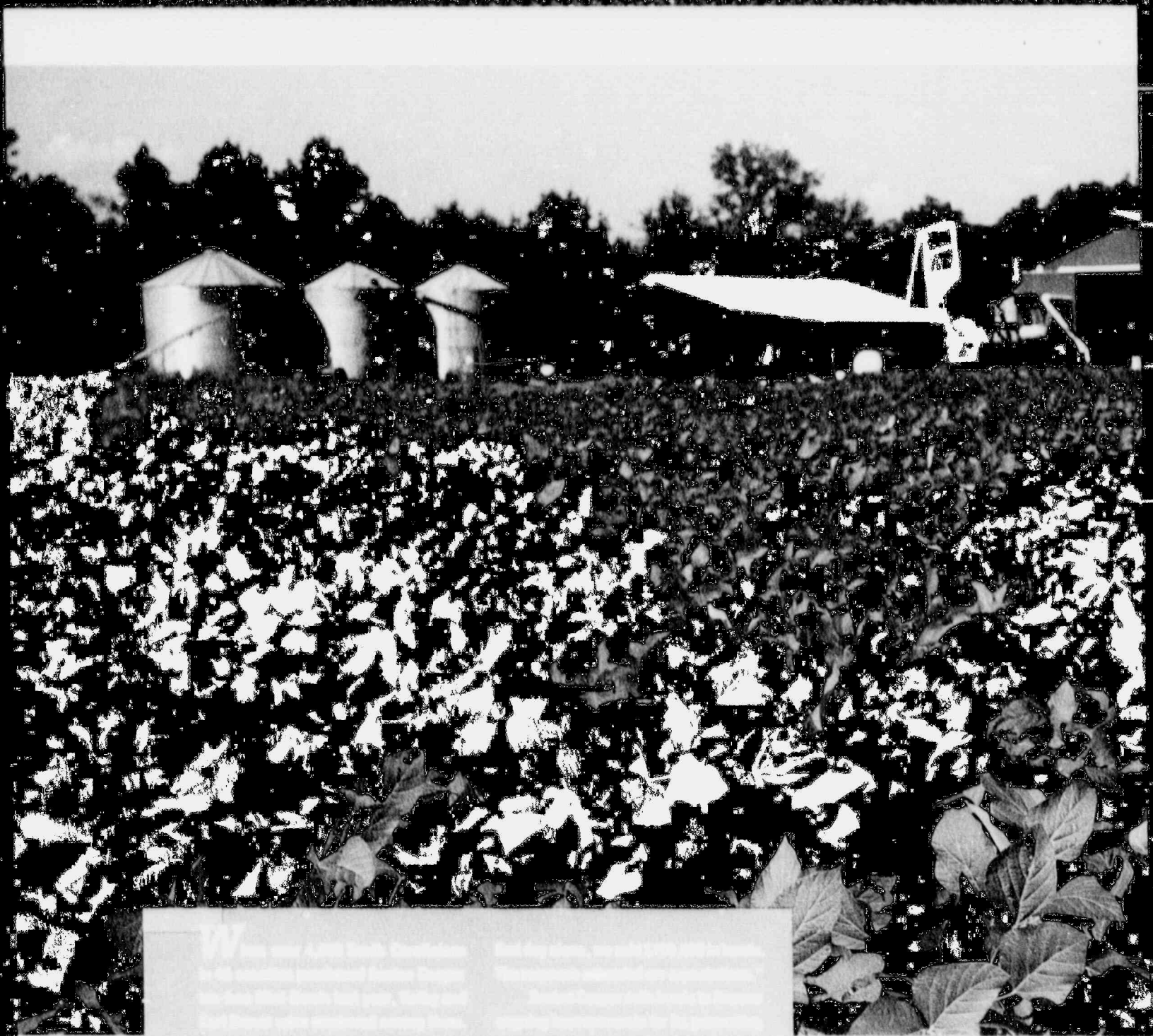
Calendar Year / GWH



Total Peak Demand Forecast (MW)

Calendar Year / MW





With over 4,000 South Coast residents in 48 counties, the Southern Oceanographic Society (SOSOC), last year, fishing and shell diving were mentioned among those. The Ocean Society has been around for almost 60 years, since 1934, when it began as the Southern Oceanographic Society. The society is the largest of its kind in the world, with a membership of over 1,000. "We are the largest of our kind in the world," says Carl Brown. "We are the largest of our kind in the world."

The following information is provided for your information only. It is not intended to be used as a basis for any decision. The information is provided for your information only. It is not intended to be used as a basis for any decision.

"You might say we've got a conservative investment philosophy, and the Mini-Bond program suits us. There are enough risks in farming without going out and looking for any more."

Kathy and Carl Brown on
their farm in Aiken County



computing at Santee Cooper. The IC supports approximately 1,000 work stations.

In an effort to work with and support our users, the Data Center extended the service of the on-line system to 18 hours per day, six days per week. Also, a HELP DESK was implemented to provide users with a central contact for questions or problems regarding MIS-supported computing.

TREASURY

In September, Santee Cooper sold \$17,012,000 of 1988 Series M Mini-Bonds. Over 12,000 inquiries were answered during the subscription period, and over 4,000 electric customers and fellow South Carolinians purchased bonds.

A second Mini-Bond sale is planned for September 1989. In addition to the standard semi-annual interest payment bonds,

this issue will also offer Capital Appreciation Bonds.

In addition, Treasury activity included the successful sale of the 1988 Refunding Bonds, Series A. With this refunding, Santee Cooper continues the practice of reducing interest costs whenever possible to help achieve the goal of providing low-cost electricity for the citizens of South Carolina.



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SCHEDULE OF BONDS OUTSTANDING

As of June 30, 1989 (In Thousands)

Maturity Date July 1	1950 Issue		1967 Issue		1973 Refunding Issue		1973 Issue		1974 Issue		1977 Refunding Issue		1977 Issue		1978 Issue	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1989	2.70	480	4.10	575*	5.00	1,060	5 1/4	1,315	6.10	1,405	5.10	2,450	4.70	540	5.00	1,200
1990	2.70	1,900	4.10	420*			5 1/4	1,380	6.20	1,505	5.20	3,620	4.80	570	5.05	1,155
1991	2.70	1,950	4.10	440*			5.30	1,455	6 1/4	1,590	5.30	3,830	4.90	590	5.10	1,220
1992	2.70	2,005	4.10	455*			5.40	1,530	6.30	1,695	5.40	4,035	5.00	625	5.15	1,285
1993	2.70	2,060	4.10	480*			5.40	1,615	6.30	1,795	5 1/2	4,260	5.10	660	5.20	1,355
1994			4.10	2,605*			5 3/4	1,700*	6.40	1,910	5.60	4,480	5.20	720	5 1/4	1,440
1995			4.10	2,720*			5 3/4	1,795*	6.40	2,035	5.65	4,710	5.30	785	5.30	1,515
1996			4.10	2,845*			5 3/4	1,900*	6.40	2,155	5.70	4,995	5.40	830	5.35	1,585
1997			4.10	2,975*			5 3/4	2,010*	6 1/2	2,295	5.70	5,265	5.45	890	5.40	1,670
1998			4.10	3,105*			5 3/4	2,125*	6 1/2	2,435	5 7/8	5,590*	5 1/2	935	5.40	1,760
1999			4.10	3,245*			5 3/4	2,245*	6 1/2	2,590	5 7/8	5,915*	5 1/2	1,005	5.70	1,850*
2000			4.10	3,395*			5 3/4	2,375*	6 3/4	2,750*	5 7/8	6,275*	5.55	1,065	5.70	1,940*
2001			4.10	3,545*			5 3/4	2,510*	6 3/4	2,920*	5 7/8	6,665*	5.60	1,130	5.70	2,045*
2002			4.10	3,705*			5 3/4	2,655*	6 3/4	3,110*	5 7/8	7,050*	5.60	1,220	5.70	2,145*
2003			4.10	3,870*			5 3/4	2,810*	6 3/4	3,295*	6.00	7,490*	5 3/4	1,295*	5.70	2,260*
2004			4.10	4,045*			5 3/4	2,970*	6 3/4	3,505*	6.00	7,950*	5 3/4	1,380*	5.70	2,380*
2005			4.10	4,230*			5 3/4	3,140*	6 3/4	3,730*	6.00	8,450*	5 3/4	1,460*	5.70	2,500*
2006			4.10	4,420*			5 3/4	3,325*	6 3/4	3,950*	6.00	8,970*	5 3/4	1,570*	5.70	2,630*
2007							5 3/4	3,515*	6 3/4	4,205*	6.00	9,400*	5 3/4	1,795*	5.70	2,785*
2008							5 3/4	3,715*	6 3/4	4,470*	6.00	9,950*	5 3/4	1,945*	5.70	2,845*
2009							5 3/4	3,930*	6 3/4	4,745*	6.00	10,565*	5 3/4	2,080*	5 7/8	8,330*
2010							5 3/4	4,155*	6 3/4	5,045*	6.00	11,210*	5 3/4	2,225*	5 7/8	8,845*
2011							5 3/4	11,520*	6 3/4	5,350*	6.00	4,980*	5 3/4	2,180*	5 7/8	9,390*
2012							5 3/4	12,180*	6 3/4	5,695*	6.00	5,315*	5 3/4	2,300*	5 7/8	9,980*
2013							5 3/4	12,880*	6 3/4	6,045*	6.00	5,625*	5 3/4	2,500*	5 7/8	10,590*
2014									6 3/4	20,045*	6.00	6,010*	5 3/4	2,640*	5 7/8	11,250*
2015											6.00	9,515*	5 3/4	21,065*	5 7/8	11,950*
2016											6.00	11,285*	5 3/4	21,235*	5 7/8	12,555*
2017													5 3/4	34,580*	5 7/8	13,190*
2018															5 7/8	50,600*
2019																
2020																
2021																
2022																
Total																
Outstanding		8,395		47,075		1,060		90,750		100,270		186,855		111,815		193,845
Bonds Redeemed to 6-30-89		6,905		4,525		10,990		9,250		8,730		28,295		3,185		6,155
Bonds Refunded to 6-30-89		0		0		0		0		0		0		0		0
Original Issue		15,300		51,600		12,050		100,000		109,000		215,150		115,000		200,000

*Term Bonds

See Schedule of Refunded Bonds.

1979A Issue		1980A Issue		1981A Issue		1981C Issue		1982A Issue		1982B Issue		1982 Refunding Issue		1985 Refunding Issue		1985 Issue	
Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
5.70	1,150	9.10	1,035	8.15	845	11 1/4	965	11.00	1,735	10 1/2	835	7 3/4	505	7.00	490	7.10	13,500
5 3/4	1,195	9.20	1,130	8.30	940	11 1/2	1,070	11 1/2	1,905	10 3/4	940	8.00	545	7 1/4	525	7.40	13,500
5.85	1,240	9 1/4	1,235	8.45	1,050	11 3/4	1,185	11 3/4	2,105	11.00	1,060	8.00	585	7 1/2	565	7.70	13,500
5.90	1,300	9.30	1,350	8.60	1,165					11 1/4	1,195	8.40	635	7 3/4	605	8.00	13,500
5.95	1,360	9.40	1,475	8 3/4	1,295							8.60	690	8.00	650	8.20	13,500
6.00	1,425	9.45	1,615	8.90	1,435							8 3/4	750	8.20	705	8.40	13,500
6.05	1,490	9 1/2	1,765	9.00	1,600									8.40	765	8.70	13,500
6.10	1,565			9.15	1,775									8.60	825		
6.20	1,645			9.30	1,970									8.80	900		
6.30	1,725													9.00	1,060		
6.35	1,815													9.05	1,160		
6.40	1,915													9.10	1,150		
6.45	2,025																
6 1/2	2,135																
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6 3/4	3,010*																
6 3/4	3,160*																
6 7/8	3,335*																
6 7/8	3,525*																
6 7/8	3,720*																
6 7/8	3,925*																
6 7/8	4,140*																
6 7/8	4,370*																
6 7/8	4,610*																
6 7/8	4,870*																
6 7/8	5,135*																
6 7/8	25,550*																
104,085		9,605		12,075		3,220		5,745		4,030		3,710		9,400		94,500	
5,915		4,450		2,610		2,360		4,435		1,960		905		1,305		40,500	
0		60,945		60,315		144,420		154,820		159,010		289,385		165,510		0	
110,000		75,000		75,000		150,000		165,000		165,000		294,000		176,215		135,000	

1985A Refunding Issue		1986A&B Refunding Issue		1986C&D Refunding Issue		1987A Refunding Issue		1988M Mini-Bond Issue		1988A Refunding Issue		Total Principal Maturities	Accruing Interest	Total Debt Service
Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.			
6 3/4	360			5.00	795	4.30	805					33,045	135,244	168,289
7.00	380			5 1/4	830	4.60	850					34,360	131,436	165,796
7 1/4	410	6 3/4	1,890	5.40	875	4.80	880					37,655	129,044	166,699
7 1/2	440	7.00	5,665	5.60	925	5.00	930			7.00	845	40,185	126,348	166,533
7 3/4	470	7.15	7,380	5.80	975	5.90	975			7.00	910	41,905	123,564	165,469
8.00	510	7.30	7,890	6.00	1,030	5.90	1,025			7.00	965	43,705	120,657	164,362
8.20	2,425	7.40	6,580	6.20	1,095	5.90	1,080			7.00	1,840	45,700	117,536	163,236
8.40	2,030	7 1/2	7,645	6.40	1,160	5.90	1,140			7.00	3,895	34,345	114,216	148,561
8.60	2,390	7.60	7,995	6.60	1,235	6.00	1,205			7.00	4,155	36,600	111,951	148,551
8.70	4,980	7.70	5,925	6.70	1,320	6.10	1,280			7.10	6,635	38,875	109,504	148,379
8 3/4	5,405	7.80	6,365	6.80	1,400	6 1/4	1,350			7.20	7,110	41,455	106,890	148,345
		7.80	13,200	6.90	1,505	6.40	1,435			7.30	7,650	44,655	104,070	148,725
9.00	11,020*	7.90	835	7.00	1,605	6 1/2	2,875			7.40	8,220	45,395	101,059	146,454
9.00	6,090*	7.90	900	7.05	1,715	6 1/2	4,280			7.40	13,520	48,525	97,905	146,430
9.00	15,390*	8.00	4,695	7.10	3,510	6.60	4,575	7 3/4	17,012	7.50	330	68,792	94,628	163,420
		8.00	5,070	7.10	4,920	6 3/4	20,390			7.50	365	55,365	89,631	144,996
		8.00	5,475	7.10	5,265	6 3/4	16,795			7.60	5,385	58,970	86,046	145,016
		8.00	5,910	7.20	5,625	6 3/4	2,350			7 3/4	320*	41,765	82,181	123,946
		8.10	6,390	7.20	6,000	6 3/4	2,525			7 3/4	340*	44,420	79,520	123,940
		8.10	6,905	7.00	6,415*	6 7/8	2,715*			7 3/4	365*	47,335	76,606	123,941
		8.00	7,465*	7.00	6,850*	6 7/8	2,925*			7 3/4	395*	50,445	73,508	123,953
		8.00	8,060*	7.00	7,310*	6 7/8	3,140*			7 3/4	420*	53,745	70,197	123,942
		8.00	10,480*	7.00	6,025*	6 7/8	3,380*			7 3/4	460*	57,290	66,664	123,954
		8.00	11,315*	7.00	6,430*	6 7/8	3,625*			7 3/4	490*	61,050	62,894	123,944
		8.00	12,230*	7.30	6,870*	6.90	3,880*			7 3/4	525*	65,070	58,873	123,943
		8.00	2,095*	7.30	7,915*	6.90	4,150*			7 3/4	7,315*	65,560	54,563	120,123
		8.00	2,260*	7.30	8,145*	6.90	4,465*			7 3/4	8,210*	69,980	50,153	120,133
		8.00	2,445*	7.30	20,430*	6.90	4,785*			7 7/8	420*	77,765	45,649	123,414
		8.00	2,625*	7.30	21,875*	6.90	5,160*			7 7/8	450*	82,750	40,646	123,396
		8.00	2,850*	7.30	23,425*	6.90	5,575*			7 7/8	495*	88,080	35,350	123,430
		8.00	3,740*	7.30	25,080*	6.90	6,030*			7 7/8	30,040*	90,440	29,662	120,102
		7.00	23,675*	7.30	27,005*	6.90	6,520*			7 7/8	39,825*	97,025	22,994	120,019
				7.30	56,985*	6.90	7,040*			7 7/8	36,680*	100,705	15,779	116,484
				6 3/4	62,325*	7.00	61,025*					123,350	8,245	131,595
52,300		195,955		334,870		191,160		17,012		188,575		1,966,307	2,773,213	4,739,520
4,655		0		760		1,500		0		0		149,390		
120,890		0		0		0		0		0		1,155,295		
177,845		195,955		335,630		192,660		17,012		188,575		3,270,992		

SCHEDULE OF REFUNDED BONDS

As of June 30, 1989 (In Thousands)

Series	1980A Issue		1981A Issue		1981B Issue		1981C Issue		1982A Issue		1982B Issue		1982 Ref. Issue		1985 Ref. Issue		1985A Ref. Issue	
Call Date	July 1, 1990		July 1, 1991		July 1, 1991		July 1, 1991		July 1, 1991		July 1, 1992		July 1, 1992		July 1, 1995		July 1, 1995	
Original Maturity Date	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1989																		
1990																		
1991																		
1992							12.00	1,315	12.00	2,335								
1993							12.25	1,470	12.30	2,590	11.60	1,345						
1994							12.50	1,635	12.60	2,895	11.90	1,515						
1995					11.00	3,090					12.10	1,815						
1996					11.10	4,000					12.20	2,040						
1997					11.20	4,220					12.30	2,295						
1998					11.30	4,590												
1999					11.40	5,090												
2000					11.50	12,010												
2001							13.25	20,000*										
2002	9.80	18,220*	9.75	18,315*									9.375	9,110*				
2003									13.75	20,000*								
2004																		
2005											12.75	40,000*			9.375	5,000*		
2006																		
2007																		
2008																		
2009																		
2010	10.125	42,725*																
2011																		
2012													9.60	37,235*				
2013					9.25	28,000*												
2014																		
2015							10.00	20,000*										
2016																		
2017																		
2018																		
2019																		
2020			10.25	42,000*	12.00	89,000*												
2021					10.50	50,000*	13.75	100,000*									9.20	120,890*
2022									14.125	127,000*	13.00	110,000*	9.70	243,040*	9.50	160,510*		
Totals																		
Per Series																		
Series	60,945		60,315		200,000		144,420		154,820		159,010		289,385		165,510		120,890	

*Term Bonds

APPLICATIONS OF REVENUE

Years Ended June 30, 1989 and 1988

	1989	1988
Total Operating Revenues	\$546,039,630	\$491,980,615
Operating Expenses:		
Operation		
Production	239,077,941	212,566,884
Purchased and Interchanged Power - Net	6,791,488	(1,868,330)
Transmission	2,579,745	2,373,714
Distribution	3,055,596	3,226,692
Customer Accounts	3,442,003	3,390,746
Sales	702,520	356,828
Administrative and General	35,586,599	32,834,086
Maintenance	35,392,730	34,387,339
Total Operation and Maintenance Expenses	326,628,622	287,267,959
Sums in Lieu of Taxes	2,034,485	1,893,509
Total Operating Expenses	328,663,107	289,161,468
Net Operating Revenues	217,376,523	202,819,147
Other Income	25,613,001	24,618,712
Revenue Available for Debt Service		
and Other Purposes	242,989,524	227,437,859
Total Debt Service	144,552,486	145,974,914
Lease Payments (and other obligations)	30,847,907	29,951,555
Balance After Debt Service, Lease Payments,		
and Other Obligations	67,589,131	51,511,390
Payments to the State of South Carolina	5,180,149	3,002,868
Payment to the Special Reserve Fund	5,180,149	3,002,868
Mandatory 8% Allocation for Capital Improvements	31,451,252	27,911,862
Revenue Available for Operating Requirements	\$25,777,581	\$17,593,792

(1) This summary has been prepared from the financial statements and other data of the Authority and has not been examined by the independent auditors. This summary presents the net revenues available to the Revenue Fund for purposes such as providing for increases in working capital requirements. It differs from the Statement of Reinvested Earnings in that it represents cash transactions on debt service and, accordingly, excludes non-cash items such as depreciation, costs to be recovered for future revenue, and amortization of debt discount and expense.

Financial Statements

**SOUTH CAROLINA
PUBLIC SERVICE AUTHORITY**

FISCAL YEAR 1989

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Report of Independent Auditors

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

We have audited the accompanying balance sheet of the South Carolina Public Service Authority at June 30, 1989, and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

The financial statements of the South Carolina Public Service Authority are intended to present the financial position and results of operations and cash flow of proprietary fund types of only that portion of the funds and account groups of the State of South Carolina that is attributable to the transactions of the South Carolina Public Service Authority.

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 at June 30, 1989, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Ernst & Young

Ernst & Young
Charleston, South Carolina
August 31, 1989, except for Note 11 as to
which the date is October 6, 1989

Report of Independent Certified Public Accountants

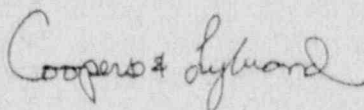
The Advisory Board
and Board of Directors
South Carolina Public
Service Authority

We have audited the accompanying balance sheet of the South Carolina Public Service Authority as of June 30, 1988, and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for each of the two years in the period ended June 30, 1988. 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 generally accepted auditing standards. 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.

The financial statements of the South Carolina Public Service Authority are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the funds and account groups of the State of South Carolina that is attributable to the transactions of the South Carolina Public Service Authority.

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 June 30, 1988, and the results of its operations and cash flows for each of the two years in the period ended June 30, 1988 in conformity with generally accepted accounting principles.



Coopers & Lybrand
Columbia, South Carolina
August 18, 1988, except for the
statements of cash flows, as to
which the date is August 31, 1989.

Balance Sheets

South Carolina Public Service Authority
June 30, 1989 and 1988

Assets	1989	1988
	(Thousands)	
Utility Plant — At Cost:		
Electric plant in service	\$ 2,168,031	\$ 2,121,928
Construction work in progress	102,779	78,721
Total	2,270,810	2,200,649
Less accumulated depreciation	540,887	479,872
Electric plant — net	1,729,923	1,720,777
Nuclear fuel — net	24,524	28,467
Utility plant — net	1,754,447	1,749,244
Other Physical Property (Net of Accumulated Depreciation)	357	368
Cash and Investments Held by Trustee (Designated)	290,269	305,929
Current Assets:		
Cash and investments held by trustee	41,028	35,104
Accounts receivable, less allowance for doubtful accounts of \$1,154,000 in 1989 and \$1,056,000 in 1988	55,579	50,283
Accrued interest receivable	3,617	4,004
Inventories, at average cost:		
Fuel (coal and oil)	30,828	37,208
Materials and supplies	18,908	10,774
Prepaid expenses	4,680	1,898
Total current assets	154,640	139,271
Deferred Debits:		
Unamortized debt expense	15,333	17,720
Unamortized loss on refunded debt	234,612	222,171
Costs to be recovered from future revenue	252,881	224,779
Other	11,665	7,646
Total deferred debits	514,491	472,316
Total	\$ 2,714,204	\$ 2,667,128

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

Liabilities and Capitalization

1989

1988

(Thousands)

Long-Term Debt:

Electric Revenue Bonds - Priority Obligations	\$ 56,530	\$ 58,565
Electric System Expansion Revenue Bonds	1,798,265	1,797,545

Subtotal 1,854,795 1,856,110

Electric System Revenue Bonds 94,500 108,000

Capitalized lease obligations 66,111 68,949

Total long-term debt 2,015,406 2,033,059

Less:

Reacquired debt 3,860 2,535

Unamortized debt discount and premium — net 23,156 25,778

Long-term debt — net 1,988,390 2,004,746

Accrued Interest on Long-Term Debt 68,801 68,222

Construction Fund Liabilities — Accounts Payable 3,210 2,415

Other Non-current Liabilities 13,185 9,026

Current Liabilities:

Commercial paper notes 50,000 50,000

Electric System Revenue Bonds - Mini-Bonds 17,012 —

Accounts payable 35,539 31,070

Customer deposits 5,023 4,971

Accrued sums in lieu of taxes 1,611 1,522

Other 13,721 15,563

Total current liabilities 122,906 103,126

Commitments and Contingencies
Deferred Credits:

Unamortized gain on reacquired debt 778 420

Nuclear fuel settlement 7,917 16,572

Total deferred credits 8,695 16,992

Capital Contributions — U.S. Government Grants 34,438 34,438

Accumulated Earnings Reinvested in the Business 474,579 428,163

Total \$ 2,714,204 \$ 2,667,128

Statements of Accumulated Earnings Reinvested in the Business

South Carolina Public Service Authority
Years Ended June 30, 1989, 1988 and 1987

	1989	1988	1987
	(Thousands)		
Accumulated earnings reinvested in the business -- beginning of year	\$ 428,163	\$ 392,037	\$ 353,750
Reinvested earnings for the year	51,596	39,129	40,290
Total	479,759	431,166	394,040
Distribution to the State of South Carolina (See note below)	5,180	3,003	2,003
Accumulated earnings reinvested in the business -- end of year	\$ 474,579	\$ 428,163	\$ 392,037

Note: The distribution to the State of South Carolina is determined utilizing a calculation formula required under the Indenture which is based essentially on operating cash flow and mandatory reserve requirements. Such calculation varies substantially from reinvested earnings for the year principally due to costs to be recovered from future revenue and working capital requirements.

Statements of Reinvested Earnings

South Carolina Public Service Authority
Years Ended June 30, 1989, 1988 and 1987

	1989	1988	1987
	(Thousands)		
Operating Revenues:			
Sales of electricity	\$ 541,353	\$ 487,684	\$ 475,425
Other operating revenues	4,686	4,296	4,634
Total operating revenues	546,039	491,980	480,059
Operating Expenses:			
Operation expense:			
Production	239,078	212,567	204,600
Purchased and interchanged power — net	6,791	(1,868)	2,698
Transmission	2,580	2,374	1,821
Distribution	3,056	3,227	2,300
Customer accounts	3,442	3,391	(172)
Sales	703	357	318
Administrative and general	35,587	32,834	28,693
Maintenance expense	35,391	34,387	33,388
Total operation and maintenance expense	326,628	287,269	273,646
Depreciation	68,731	66,670	65,033
Sums in lieu of taxes	3,379	3,055	2,390
Total operating expenses	398,738	356,994	341,069
Operating Income	147,301	134,986	138,990
Other Income:			
Interest income:			
Other funds	25,749	24,737	25,178
Borrowed funds	—	—	284
Other income (expense) — net	(136)	(118)	(181)
Total other income	25,613	24,619	25,281
Subtotal	172,914	159,605	164,271
Interest Charges:			
Interest on long-term debt	134,908	138,675	144,190
Other	14,512	9,233	9,030
Total interest charges	149,420	147,908	153,220
Subtotal	23,494	11,697	11,951
Other, Add (Subtract):			
Costs to be recovered from future revenue	28,102	27,432	28,921
Other deductions — net	—	—	318
Reinvested Earnings	\$ 51,596	\$ 39,129	\$ 40,290

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

Statements of Cash Flows

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

South Carolina Public Service Authority
Years Ended June 30, 1989, 1988 and 1987

	1989	1988	1987
	(Thousands)		
Cash Flows From Operating Activities:			
Reinvested earnings	\$ 51,596	\$ 39,129	\$ 40,290
Adjustments to reconcile reinvested earnings to net cash provided by operating activities:			
Depreciation and amortization	68,731	66,670	65,033
Amortization of bond related expenses	9,477	6,286	6,470
Costs to be recovered from future revenue	(28,102)	(27,432)	(28,921)
Nuclear fuel settlement	(8,655)	228	216
Changes in assets and liabilities:			
Accounts receivable and accrued interest	(4,909)	3,573	(4,210)
Inventories	(1,754)	(12,078)	11,107
Prepaid expenses	(2,782)	542	(416)
Other deferred debits	(4,019)	(4,350)	(569)
Accounts payable	4,020	139	5,093
Other current liabilities	(1,701)	9,008	602
Accrued interest on long-term debt	579	(2,891)	(706)
Other non-current liabilities	4,159	2,723	1,893
Net cash provided by operating activities	86,640	81,547	95,882
Cash Flows From Investing Activities:			
Net decrease (increase) in investments	8,781	8,568	(66)
Expenditures for utility plant	(74,345)	(88,656)	(47,224)
Sale of plant assets	422	601	245
Increase (decrease) in construction fund liabilities	1,244	2,914	(4,112)
Decrease (increase) in cash and investments Held by Trustee (Designated)	15,660	39,814	(10,379)
Net cash used in investing activities	(48,238)	(36,759)	(61,536)
Cash Flows From Financing Activities:			
Proceeds from bonds	205,587	—	528,290
Repayment and refunding of bonds	(204,715)	(34,310)	(468,298)
Refunding loss and other unamortized expenses of bonds	(16,551)	4,143	(87,883)
Distribution to the State of South Carolina	(5,180)	(3,003)	(2,003)
Other	(2,838)	(2,806)	(2,783)
Net cash used in financing activities	(23,697)	(35,976)	(32,677)
Net Increase in Cash and Cash Equivalents	14,705	8,812	1,669
Cash and Cash Equivalents at the Beginning of the Year	13,696	4,884	3,215
Cash and Cash Equivalents at the End of the Year	\$ 28,401	\$ 13,696	\$ 4,884
Reconciliation of Cash and Cash Equivalents:			
Cash and cash equivalents at the end of the year	\$ 28,401	\$ 13,696	\$ 4,884
Investments, not considered cash and cash equivalents	12,627	21,408	29,976
Cash and investments held by trustee (as shown on balance sheet)	\$ 41,028	\$ 35,104	\$ 34,860
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	\$ 139,496	\$ 143,988	\$ 145,995
Cash received during the year for:			
Interest	\$ 22,510	\$ 22,637	\$ 24,457

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

Notes to Financial Statements

June 30, 1989

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 by the 1934 State Legislature. The Board of Directors is appointed by the Governor of South Carolina. The purpose of the Authority is to provide electric power to the people of South Carolina. Capital projects are funded by bonds issued by the Authority and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service, operating expenses and provide funds required under bond covenants.

B — System of Accounts — The accounting records of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

C — Utility Plant Capitalization and Maintenance — Additions to plant are recorded at cost, which includes material, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to appropriate operating and maintenance expense. 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 percent of average depreciable utility plant in service, were approximately 3.3% for each of the three years in the period ended June 30, 1989. Amortization expense of capitalized leases is included in depreciation expense.

E — Revenue Recognition — Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues from retail customers are recognized as billed on a monthly cycle basis. Fuel costs are reflected in operating expenses as consumed.

F — Amortization — Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are amortized to income as impacted through the rate-making process, generally over the terms of the new debt issues.

G — Cash Flow — The Authority adopted Statement of Financial Accounting Standard No. 95, "Statement of Cash Flows," during fiscal year 1989 and has restated the prior year's financial statements presented to include statements of cash flows consistent with the current year's presentation. For purposes of the statements of cash flows, the Authority considers highly liquid investments with a maturity of less than three months and cash on deposit with financial institutions as cash and cash equivalents. Cash and Investments Held by Trustee (Designated) are not included in cash and cash equivalents for the purpose of the statement of 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. Depreciation is not considered in the cost of service calculation. This results in timing differences between costs as defined in the rate-making process and costs determined in accordance with generally accepted accounting principles. These differences 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.

For the years ended June 30, 1989, 1988 and 1987, costs to be recovered from future revenue included in the statement of reinvested earnings consists principally of the difference between depreciation and debt service requirements.

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

Unexpended funds from the sale of expansion bonds, debt service funds, other special funds and cash and investments are held and maintained by trustees and their use 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 carried at amortized cost.

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 held by pledging financial institutions but not in the Authority's name.

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 June 30, 1989, the Authority's repurchase agreements totalled \$35,550,000.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the entity 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 held by the pledging financial institution but not in the Authority's name.

	1989					
	Investments		Cash		Total	
	Category	Category	Category	Category	Carrying	Market
	1	2	1	2	Value	Value
(Thousands)						
Cash and Investments Held by						
Trustee (Designated):						
General Improvement Funds	\$ 24,005	\$ 100	\$ 6	\$ (396)	\$ 23,715	\$ 23,745
Debt Service and Special Funds						
Indentured Bonds						
Interest Fund	\$ 1,105	\$ —	\$ —	\$ —	\$ 1,105	\$ 1,105
Bond Fund	2,118	—	—	—	2,118	2,118
Debt Service	8,760	—	—	135	8,895	9,079
Expansion Bonds						
Interest Fund	—	—	—	63,742	63,742	63,742
Bond Fund	—	—	—	17,430	17,430	17,430
Debt Service	129,883	—	—	81	129,964	130,524
Subordinated Bonds						
Interest Fund	—	—	—	3,746	3,746	3,746
Bond Fund	—	—	—	13,500	13,500	13,500
Debt Service	3,804	1,250	—	2	5,056	5,054
Mini-Bonds						
Interest	659	—	—	—	659	659
Debt Service	658	—	—	—	658	673
Other Special Funds	26,935	—	—	(7,254)	19,681	19,074
Total	\$173,922	\$1,250	\$ —	\$91,382	\$266,554	\$266,704

Cash and Investments Held by						
Trustee:						
Revenue Fund	\$ 28,454	\$ —	\$ —	\$ 6,336	\$ 34,790	\$ 34,807
Special Reserve Fund	6,148	—	100	(10)	6,238	6,273
Total	\$ 34,602	\$ —	\$100	\$ 6,326	\$ 41,028	\$ 41,080

	1988					
	Investments		Cash		Total	
	Category	Category	Category	Category	Carrying	Market
	1	2	1	2	Value	Value
(Thousands)						
Cash and Investments Held by						
Trustee (Designated):						
General Improvement Funds	\$ 47,880	\$ 200	\$ 5	\$ 47	\$ 48,132	\$ 48,131
Debt Service and Special Funds						
Indentured Bonds						
Interest Fund	\$ —	\$ —	\$ —	\$ 1,149	\$ 1,149	\$ 1,149
Bond Fund	—	—	—	2,042	2,042	2,042
Debt Service	8,814	—	—	—	8,814	8,997
Expansion Bonds						
Interest Fund	—	—	—	62,658	62,658	62,658
Bond Fund	—	—	—	16,320	16,320	16,320
Debt Service	130,069	—	—	23	130,092	131,523
Subordinated Bonds						
Interest Fund	—	—	—	13,500	13,500	13,500
Bond Fund	—	—	—	4,202	4,202	4,202
Debt Service	3,737	1,250	—	48	5,035	5,026
Other Special Funds	20,159	—	5	(6,179)	13,985	12,855
Total	\$162,779	\$1,250	\$ 5	\$93,763	\$257,797	\$258,272

Cash and Investments Held by						
Trustee:						
Revenue Fund	\$ 27,785	\$ —	\$ —	\$ 4,815	\$ 32,600	\$ 32,589
Special Reserve Fund	2,442	—	100	(38)	2,504	2,502
Total	\$ 30,227	\$ —	\$100	\$ 4,777	\$ 35,104	\$ 35,091

Note 4 — Long-Term Debt Outstanding:

	June 30,	
	1989	1988
	(Thousands)	
Electric Revenue Bonds - Priority Obligations:		
Series of 1950, bearing interest at 2.70% and due 1989 to 1993	\$ 8,395	\$ 8,705
Series of 1967, bearing interest at 4.10% and due 1989 to 2006	47,075	47,790
Refunding Series of 1973, bearing interest at 5% and due 1989	1,060	2,070
Total Electric Revenue Bonds - Priority Obligations	56,530	58,565
Electric System Expansion Revenue Bonds:		
1973 Series, bearing interest from 5.25% to 5.75% and due 1989 to 1993 and 2013	90,750	92,000
1974 Series, bearing interest from 6.10% to 6.75% and due 1989 to 1999 and 2014	100,270	101,595
1977 Refunding Series, bearing interest from 5.10% to 6% and due 1989 to 1997 and 2002 and 2016	186,855	190,135
1977 Series, bearing interest from 4.70% to 5.75% and due 1989 to 2002 and 2017	111,815	112,330
1978 Series, bearing interest from 5% to 5.875% and due 1989 to 1998 and 2008 and 2018	193,845	194,970
1979 Series A, bearing interest from 5.70% to 6.875% and due 1989 to 2003 and 2009 and 2019	104,085	105,190
* 1980 Series A, bearing interest from 9.10% to 9.50% and due 1989 to 1995	9,605	28,775
* 1981 Series A, bearing interest from 8.15% to 9.30% and due 1989 to 1997	12,075	31,150
* 1981 Series C, bearing interest from 11.25% to 11.75% and due 1989 to 1991	3,220	4,085
* 1982 Series A, bearing interest from 11% to 11.75% and due 1989 to 1991	5,745	7,340
* 1982 Series B, bearing interest from 10.50% to 11.25% and due 1989 to 1992	4,030	4,770
* 1982 Refunding Series, bearing interest from 7.75% to 8.75% and due 1989 to 1994	3,710	13,290
* 1985 Refunding Series, bearing interest from 7% to 9.10% and due 1989 to 2000	9,400	14,860
1985 Refunding Series A, bearing interest from 6.75% to 9.00% and due 1989 to 1999 and 2003	52,300	173,525
1986 Refunding Series A&B, bearing interest from 6.75% to 8.10% and due 1991 to 2008 and 2019 and 2020	195,955	195,955
1986 Refunding Series C&D, bearing interest from 5% to 7.30% and due 1989 to 2007 and 2012 and 2021 and 2022	334,870	335,630
1987 Refunding Series A, bearing interest from 4.30% to 7% and due 1989 to 2007 and 2012 and 2021 and 2022	191,160	191,945
1988 Refunding Series A, bearing interest from 7% to 7.875% and due 1992 to 2005 and 2015 and 2021	188,575	—
Total Electric System Expansion Revenue Bonds	1,798,265	1,797,545
Electric System Revenue Bonds, 1985 Series, bearing interest from 7.10% to 8.70% and due 1989 to 1995	94,500	108,000
Capitalized Subordinated Lease Contracts, payable 1989 to 2015	66,111	68,949
Total Long-Term Debt	\$2,015,406	\$2,033,059

*See schedule for refunded debt.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. In fiscal year 1989, the Authority issued \$189 million in Electric System Expansion Bonds to advance refund certain maturities of the 1980 Series A and 1981 Series A expansion revenue bonds and certain maturities of the 1982, 1985 and 1985A Refunding Series Bonds. The 1980A, 1981A, 1982, 1985 and 1985A bonds (original bonds) totaled \$172 million. The new bonds bear an average interest rate of approximately 7.8%. The original bonds averaged approximately 9.3%. The net proceeds of the bonds, \$189 million (after payment of \$.4 million and \$1.4 million in underwriting fees and original issue discount) plus an additional \$6.7 million were

used to purchase U.S. Government securities. The securities have been placed in an irrevocable trust to provide for all future debt service payments on the original bonds. As a result, the original bonds are considered defeased and the liability for those bonds has been removed from the Authority's accounts.

Although the advance refunding resulted in a deferred accounting loss of approximately \$28 million, the Authority was able to reduce its total debt service over the next 36 years by approximately \$28 million and obtain an economic gain (the difference between the present values of the debt service payments on the old and the new debt) of approximately \$10 million.

Amounts outstanding, original loss on refunding, and the unamortized loss at June 30, 1989 follow:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
(Thousands)				
1977 Refunding	1971 and 1976 Series	\$ —	\$ 11,244	\$ 6,741
1982 Refunding	\$100,000 of the 1981 Series C and \$127,000 of the 1982 Series A	227,000	62,588	2,994
1985 Refunding	\$150,000 of the 1982 Series B	150,000	30,570	8,707
1985A Refunding	\$139,000 of the 1981 Series B and \$ 40,000 of the 1981 Series C	179,000	27,853	6,368
Cash Defeasance	\$ 20,000 of the 1982 Series A	20,000	2,763	2,432
1986 A&B Refunding	\$ 42,725 of the 1980 Series A \$ 42,000 of the 1981 Series A \$ 61,000 of the 1981 Series B \$ 4,420 of the 1981 Series C \$ 7,820 of the 1982 Series A \$ 9,010 of the 1982 Series B	166,975	43,736	43,736
1986 C&D Refunding	\$280,275 of the 1982 Refunding Series	280,275	97,109	90,396
1987 A Refunding	\$160,510 of the 1985 Refunding Series	160,510	48,038	44,594
1988 A Refunding	\$ 18,220 of the 1980 Series A \$ 18,315 of the 1981 Series A \$ 9,110 of the 1982 Refunding Series \$ 5,000 of the 1985 Refunding Series \$120,890 of the 1985 Refunding Series A	171,535	28,644	28,644
Total		\$1,355,295	\$ 352,545	\$ 234,612

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

The Authority covenants to establish rates and charges adequate to provide revenues sufficient, among other things, to pay debt service when due on the priority obligations and expansion bonds, to make required payments when due into the lease fund and the capital improvement fund, and to pay the costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts deposited therein the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three

preceding fiscal years. The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being, or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued, or authorized but not yet issued, (ii) payments into the lease fund, and (iii) payments into the capital improvement fund.

Electric revenue and expansion bonds maturing during the years ending June 30, 1990 through 1994, are, as follows:

	Electric Revenue Bonds	Priority Obligations & Expansion Bonds	Total
	(Thousands)		
June 30, 1990	\$ 13,500	\$ 19,545	\$ 33,045
June 30, 1991	13,500	20,860	34,360
June 30, 1992	13,500	24,155	37,655
June 30, 1993	13,500	26,685	40,185
June 30, 1994	13,500	28,405	41,905
Total	\$ 67,500	\$ 119,650	\$ 187,150

Note 5 — 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 interest of 33⅓% and 66⅔%, 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 33⅓% of the net electricity generated. At June 30, 1989 and 1988, the plant accounts included approximately \$426,423,000 and \$426,142,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. The Authority's interest in Summer Nuclear Station was financed solely by long-term debt. For the years ended June 30, 1989 and June 30, 1988, the Authority's operation and maintenance expenses included \$20,208,000 and \$36,695,000 respectively, for operation and maintenance expenses of 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. These amortizations are included in fuel expense and are recovered through the Authority's rates. Decommissioning costs (costs to take the plant out of service in the future) for the Summer Nuclear Station are estimated to be \$314 million, for the Authority's ⅓ ownership, based on a 30 year useful life with decommissioning expected to commence in the year 2013. 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. The estimated decommissioning costs are periodically reviewed and adjustments recorded as appropriate.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the settlement, the Authority has received approximately \$10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount. The cash and discounts received (and related interest earned) which approximated \$16,572,000, were recorded as deferred credits through June 30, 1988. During fiscal year 1989 deferred credits and related interest of approximately \$8,756,000 were used to offset the additional fuel costs associated with replacement energy during the Summer Nuclear Station refueling outage. The remaining deferred credits of \$7,917,000 will be used during scheduled refueling outages in future years.

Note 6 — Commercial Paper Notes and Mini-Bonds:

The Board of Directors authorized the issuance of commercial paper not to exceed \$50,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days at an annual interest rate not to exceed 9½%. As of June 30, 1989 and 1988, the effective interest rate on outstanding borrowings was 6.55% and 4.96%, respectively. During 1989 and 1988, the average amount outstanding was \$50,000,000; the average maturity was 33 and 38 days, respectively; the average effective interest rate was 6.17% and 4.94%, respectively.

At June 30, 1989, the Authority had a Revolving Credit Agreement of \$50,000,000. This Agreement is used to support the Authority's issuance of commercial paper. Under an agreement signed November 1988, the Authority is required to pay a fee equal to 1/8 of 1% on the total line of credit. No loans were outstanding under the Agreement at June 30, 1989.

In September 1988, the Authority issued \$17 million in 7¼% Electric System Revenue Bonds 1988 Series M ("1988 Mini-Bonds"). These 1988 Mini-Bonds, which are due on demand of the registered owner, are considered current liabilities of the Authority. The 1988 Mini-Bonds are to be paid from and secured by a pledge of revenue on a parity with the 1985 Electric System Revenue Bonds and Commercial Paper Notes, but are junior and subordinate to all other outstanding bonds and capital lease obligations.

In August 1989 the Authority issued a preliminary official statement for the sale of 7% Electric System Revenue Bonds 1989 Series M, (1989 Mini-Bonds). The Authority expects to sell approximately \$15 million of these bonds during October 1989. The repayment, security and lien level of these bonds will be equivalent to that of the 1988 Mini-Bonds.

Note 7 — Contracts with Central Electric Power Cooperative, Inc.:

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from six to twenty-six years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreement for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases, at June 30, 1989, were:

Years ending June 30:	Amount (Thousands)
1990	\$ 5,258
1991	5,258
1992	5,258
1993	5,258
1994	5,250
Thereafter	69,943
Total minimum lease payments	96,225
Less, amounts representing interest	30,114
Balance at June 30, 1989	\$ 66,111

Leased property under capitalized leases and related accumulated amortization included in utility plant at June 30, 1989 totalled \$102,300,000 and \$45,468,000, respectively, and at June 30, 1988 totalled \$102,400,000 and \$42,700,000, respectively.

Power supply and transmission services are provided to Central in accordance with the Power System Coordination and Integration Agreement dated January 19, 1981, and amended as of March 31, 1988. The amendment provides for a change in the Authority's rate-making methodology for Central. In addition, the Authority will be the sole supplier of Central's energy needs excluding what Central receives from the Southeastern Power Administration and SCE&G. The agreement allows Central to audit all charges by the Authority. Audits and any potential findings for the years ended June 30, 1986 through 1989 have yet to be completed. Management does not believe there will be any material effect to the Authority as a result of these audits.

Note 8 — Commitments and Contingencies:

BUDGET — The Authority's capital budget provides for expenditures of approximately \$126,300,000 during the fiscal year ending June 30, 1990, and \$180,000,000 during the two fiscal years thereafter.

DAM REINFORCEMENT — During 1982, FERC notified the Authority that the Pinopolis West Dam and the Santee North Dam, which form a part of the Authority's electric utility system, possessed marginal seismic stability under applicable design earthquake criteria. FERC indicated that remedial measures should be undertaken by the Authority to provide an increased level of seismic stability.

The preliminary design on the reinforcement of the Pinopolis West Dam was completed by the U.S. Army Corps of Engineers (Corps), and a contract was awarded in April 1988 by the Corps. The construction of the bolster is the responsibility of the Corps and is expected to cost the federal government \$28.3 million, including the engineering design. Construction is projected to last three years.

An "Emergency Action Plan" was developed for implementation in the event of a failure of the Santee North Dam. In 1986, FERC tentatively approved the plan with 22 modifications. The Authority agreed to all of the modifications except one regarding "strict liability" which was contested in Federal Court. On July 5, 1988, an order was received from the Federal District Court upholding the Authority's position and remanding the case to FERC. Based on the facts as they currently exist, management believes that any cost incurred by the Authority related to the dams would not materially affect the financial position of the Authority.

Note 9 — Retirement Plan:

Substantially all Authority full-time employees must participate in the South Carolina Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by the System for each of the years ended June 30, 1989, 1988 and 1987 was \$50,949,000, \$45,969,000, and \$42,484,000, respectively.

Employees who retire at or after age 65 or have 30 years of service are entitled to a retirement benefit, payable monthly for life equal to 1.7 percent of their average final compensation. Benefits fully vest on reaching 5 years of service. Vested employees may retire at 60 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

Employees are required by State statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7 percent of total payroll. The contribution requirement for each of the years ended June 30, 1989, 1988, and 1987 was \$3,568,000, \$3,286,000, and \$3,098,000 from the Authority and \$3,057,000, \$2,595,000, and \$2,386,000 from employees.

* An actuarial valuation is performed for the System annually. At the most recent valuation date, June 30, 1988, the pension benefit obligation for retired and active members was approximately \$7.4 billion. The amortized cost of assets of the System was approximately \$5.4 billion. The unfunded pension obligation was approximately \$2.0 billion. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The System does not make separate measurements of assets and benefits payable for individual employers. The Authority's contribution represented approximately two percent of the total contribution to the System.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1988 comprehensive annual financial report.

Note 10 — Major Customers:

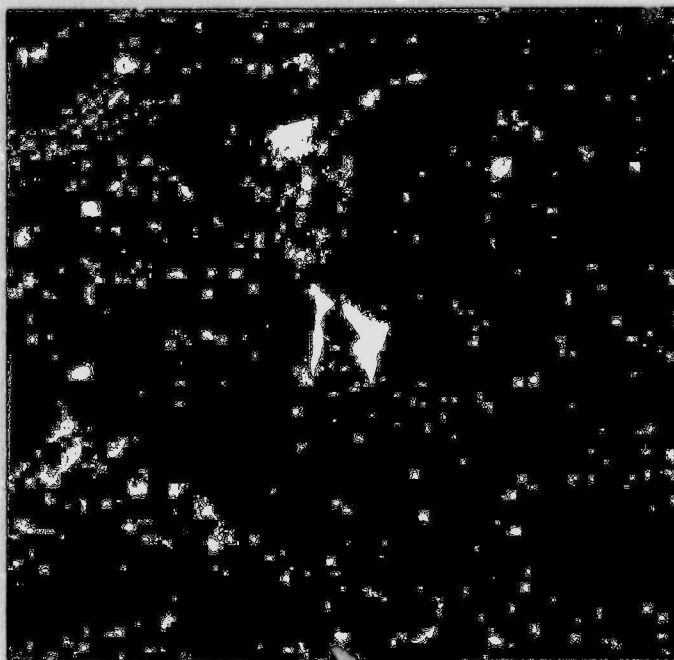
Sales to two major customers for the years ended June 30, were:

	1989	1988	1987
	(Thousands)		
Central Electric Power Cooperative, Inc.	\$ 218,000	\$ 203,000	\$ 207,000
Alumax of South Carolina, Inc.	\$ 88,000	\$ 76,000	\$ 69,000

Note 11 — Subsequent Event:

On September 21, 1989, Hurricane Hugo struck South Carolina causing substantial damage to the Authority's system. Preliminary estimates on the cost to repair and replace the facilities total approximately \$35 million. Management believes that insurance will provide for a part of this cost, except for transmission and distribution lines. The Authority is currently evaluating its options regarding financial assistance from the federal government for the transmission and distribution line repairs and replacements, debris removal, etc. The Authority estimates that with insurance and with the possibility of financial assistance from the federal government net unrecoverable costs will total approximately \$7 million. At this time, the decrease in net revenues resulting from Hurricane Hugo is estimated to be in the range of \$10-\$15 million for the months of September-December 1989. Management believes the long-term effect on the Authority's financial position will not be material.

Advisory Board



Carroll A. Campbell Jr.
Governor



John T. Campbell
Secretary of State



T. Travis Medlock
Attorney General



Earle E. Morris Jr.
Comptroller General



Grady L. Patterson Jr.
State Treasurer

Board of Directors



Dwight A. Holder
Chairman



Walter T. Cox
1st Vice Chairman
Representing the 3rd Congressional District
Abbeville, Aiken, Allendale, Anderson, Bamwell, Edgefield, Greenwood, McCormick, Oconee, Pickens, and Saluda counties



John S. Rainey
2nd Vice Chairman
Representing the 2nd Congressional District
Camberg, Calhoun, Lexington, Orangeburg, and Richland counties



Eugene F. Oliver
Representing Berkeley County



D. Gene Rickenbaker
Representing the 5th Congressional District
Cherokee, Chester, Chesterfield, Fairfield, Kershaw, Lancaster, Laurens, Lee, Nowberry, Sumter, and York counties



Henry B. Rickenbaker
Representing the 6th Congressional District
Clarendon, Darlington, Dillon, Florence, Georgetown, Horry, Marlboro, Marion, Williamsburg, and part of Berkeley counties



Robert D. Bennett
*Representing the electric
 cooperatives of South Carolina*



Ralph H. Ellis
Representing Horry County



A. Clint Gossett
*Representing the 4th
 Congressional District
 Greenville, Spartanburg, and
 Union counties*



Harold M. Robertson
*Representing the 1st
 Congressional District
 Beaufort, Charleston, Colleton,
 Dorchester, Hampton, Jasper,
 and part of Berkeley counties*



Johnnie Joe Young
Representing Georgetown County

BOARD CHANGES

There was one change in Santee Cooper's Board of Directors during the past fiscal year. Ralph H. Ellis of Little River was appointed to represent Horry County. A graduate of Clemson University, he is a real estate broker and partner in Luck & Ellis Realty Company. Ellis is a former school principal, postmaster, State Senator and Representative.

Management

Kenneth R. Ford
President and Chief
Executive Officer

Robert E. Rinear
Executive Vice President
Engineering and Operations

Robert V. Tanner
Executive Vice President
Production

F. Eugene Williams
Executive Vice President
Customer and Public Relations

T. Graham Edwards
Senior Vice President
Administration and Finance

Charles H. McGlothlin Jr.
General Counsel

Emily S. Brown
Vice President and
Corporate Secretary

Bill McCall Jr.
Vice President
Production Operations

Ronald T. Nolte
Vice President
Corporate Forecasting, Rates,
and Statistics

Robert F. Petracca
Vice President
Property and Transportation

Byron C. Rodgers Jr.
Vice President
Engineering and Construction
Management

Joseph P. Thomas
Vice President
Planning and Operations

Curtis L. Williamson Jr.
Vice President
Horry-Georgetown Division

H. Roderick Murchison
Treasurer

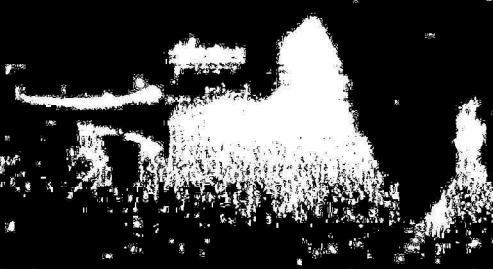
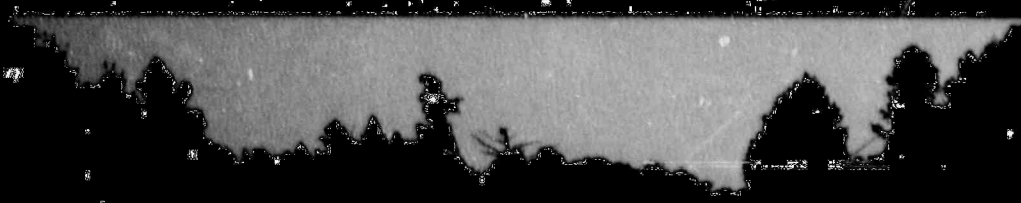
Elaine G. Peterson
Controller

Jerry L. Stafford
Corporate Communications Director



**For Additional
Information Contact:**

Jerry L. Stafford
Director, Corporate
Communications
One Riverwood Drive
Moncks Corner
South Carolina 29461-0300
(803) 781-4061



1989 ANNUAL REPORT

SCANA



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1989 ANNUAL REPORT

SCANA

Turbine Generator works

Electricity
Generators

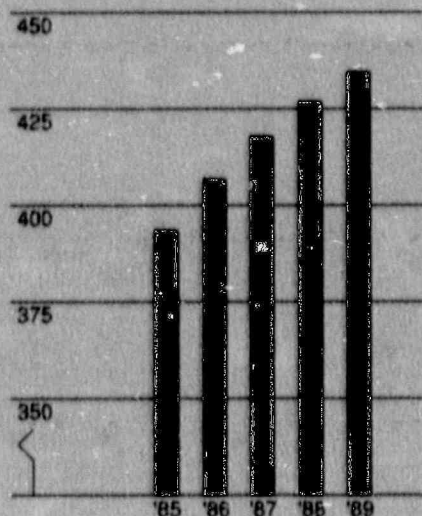


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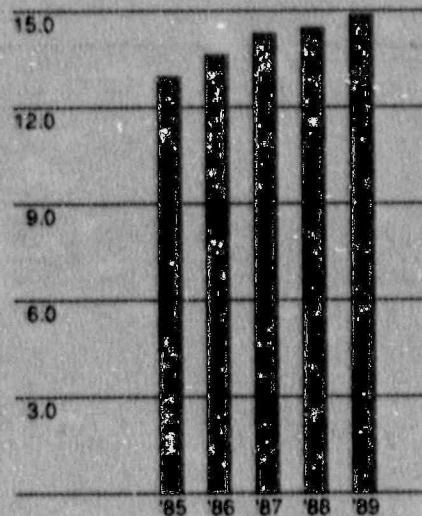
Electric

The company's consolidated electric customer base grew 1.9% to 435,001 in 1989. Residential and commercial accounts, which together comprise 99% of that total, increased 1.8% and 2.6%, respectively. Total sales of electricity were 14.9 billion kilowatt hours (KWH), up 3.0% in 1989. Over the past four years, electric customers and KWH sales have grown at an average annual rate of 2.6% and 3.5%, respectively.

Electric Customers
(thousands; year-end)



Electric Sales
(billions of KWH)

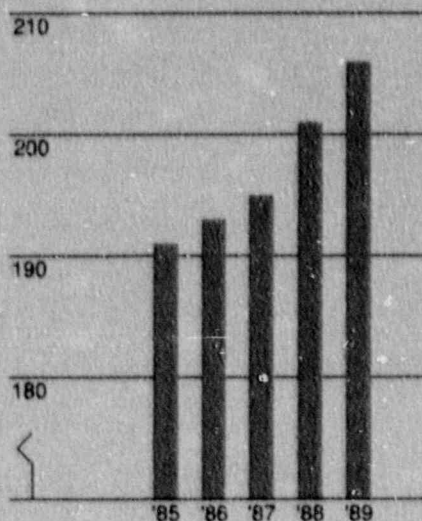


	Residential	Commercial	Industrial	Wholesale/Other	Total
Customers	376,459	55,465	715	2,362	435,001
% of Total Sales	32.9	27.5	30.9	8.7	100.0

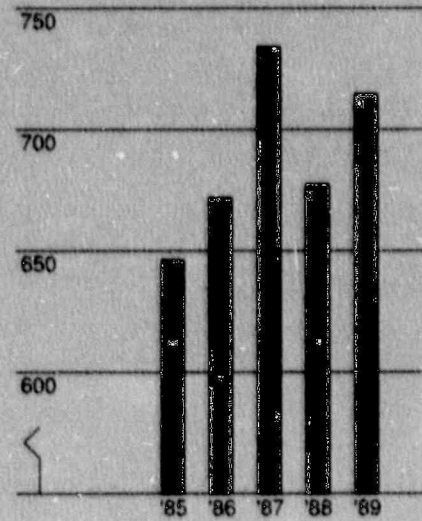
Natural Gas

For the second consecutive year, an aggressive residential water heater sales program had a major impact on customer growth. At year-end 1989, the company had 205,657 natural gas customers, a 2.1% increase during the year. Residential accounts, which represent 91% of that total, were up 2.1%. A 14% increase in sales to industrial customers helped push total consolidated sales for the year to 715 million therms, a 5.5% increase over 1988. Since 1985, the company's consolidated natural gas customer base and therm sales have grown at an average annual rate of 1.9% and 2.6%, respectively.

Natural Gas Customers
(thousands; year-end)



Natural Gas Sales
(millions of therms)



	Residential	Commercial	Industrial	Wholesale	Total
Customers	186,519	18,556	553	29	205,657
% of Total Sales	14.7	13.0	38.6	33.7	100.0

FINANCIAL & OPERATING HIGHLIGHTS

	1989	1988	% Increase (Decrease)
	(Millions of Dollars except statistics and per share amounts)		
Financial			
Total Operating Revenues	\$ 1,123.3	\$ 1,083.3	3.7
Total Operating Expenses	\$ 910.1	\$ 878.6	3.6
Net Income	\$ 122.6	\$ 120.7	1.6
Earnings Per Share of Common Stock	\$ 3.04	\$ 3.00	1.3
Dividends Declared Per Share of Common Stock	\$ 2.46	\$ 2.40	2.5
Book Value Per Share of Common Stock (Year-End)	\$ 22.79	\$ 22.23	2.5
Market Price Per Share of Common Stock (Year-End)	\$ 35.75	\$ 32.25	10.9
Common Stockholders' Equity (Year-End)	\$ 918.2	\$ 895.7	2.5
Common Stock Outstanding (Thousands, Year-End)	40,296	40,296	—
Construction Expenditures	\$ 181.5	\$ 182.9	(0.8)
Utility Plant, Net	\$ 2,444.3	\$ 2,384.6	2.5
Electric Operations			
Electric Operating Revenues	\$ 822.1	\$ 788.0	4.3
Electric Operating Income	\$ 193.8	\$ 186.7	3.8
Sales (Million KWH)	14,885	14,457	3.0
Customers (Year-End)	435,001	427,089	1.9
Generating Capability — Net MW (Year-End)	3,891	3,891	—
Territorial Peak Demand — Net MW	3,144	3,021	4.1
Gas Operations			
Gas Operating Revenues	\$ 297.1	\$ 291.3	2.0
Gas Operating Income	\$ 24.4	\$ 23.0	6.1
Sales (Thousand Therms)	714,585	677,580	5.5
Customers (Year-End)	205,657	201,399	2.1
Transit Operations			
Transit Operating Revenues	\$ 4.1	\$ 4.0	2.5
Transit Operating Loss	\$ (5.1)	\$ (5.0)	2.0
Revenue Passengers Carried (Thousands)	6,430	6,723	(4.4)

About the cover:

Employing an electrostatic generator to explain the mysteries of electricity can be a pretty shocking subject as these students found out. Safety, generation, careers, nuclear power and conservation programs are available to schools throughout SCE&G's service area. During 1989 SCE&G employees visited more than 100 schools.

Contents

- 1 Financial Highlights
- 2 Retirement of John A. Warren
- 3 Letter To Stockholders
- 6 Year In Review
- 20 Charts
- 22 Directors and Officers
- 24 Financial Review
- 44 Investor Information

John A. Warren closed another chapter in his long and distinguished career upon retirement as chairman and chief executive officer of SCANA Corporation January 31, 1990. For more than 40 years the energy industry has enjoyed the benefits of Mr. Warren's leadership. He helped establish Carolina Pipeline Company in 1957 and later formed Carolina Energies, Inc., a holding company. He served as vice chairman, president and chief operating



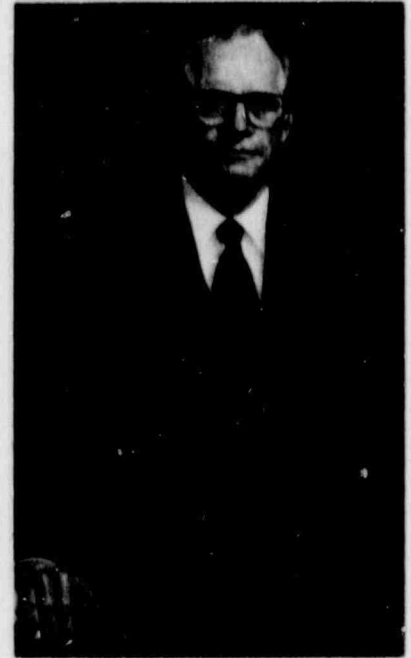
John A. Warren
Chairman of the Board Emeritus

officer for Carolina Energies, Inc. and subsidiaries until 1982 when the company was acquired by South Carolina Electric & Gas Company (SCE&G). Mr. Warren was named president and chief operating officer of SCE&G in 1982 and began laying the groundwork for the formation of the holding company that became SCANA Corporation. In September 1985 Mr. Warren became vice chairman and chief executive officer of SCANA Corporation and subsidiaries, and in April 1986 he became chairman. Mr. Warren's accomplishments as chairman of SCANA were many. He led an employee effort to restore a favorable public image of SCE&G. He improved customer understanding of the price/value relationship of our products. He significantly raised the competitive position of SCE&G, resulting in utility electric rates that are among the lowest in the region. And he enhanced SCANA shareholder value with attention to financial performance. Mr. Warren asked employees to take the steps necessary to

make SCE&G more efficient. They responded enthusiastically, and as a reward for successfully reducing expenses and holding rates down, every employee was compensated under a unique incentive bonus plan. Mr. Warren serves as a director of Liberty Life Insurance Company, Mack Trucks, Inc., South Carolina National Corporation, and South Carolina National Bank. Mr. Warren has received numerous awards during his career. The most recent was bestowed upon him January 31, 1990 by The Honorable Carroll A. Campbell, Jr., governor of the State of South Carolina. Mr. Warren was awarded the Order of the Palmetto, South Carolina's highest honor, for service to the state and its citizens. On January 18, 1990 the Columbia Chamber of Commerce named Mr. Warren "1990 Ambassador of the Year." He received an honorary Doctorate of Public Service degree from the University of South Carolina in 1987. In 1989 The Citadel conferred a second honorary doctorate. Mr. Warren will now turn his attention to overseeing the operations of the Palmetto Seed Capital Limited Partnership Fund, created by the South Carolina General Assembly to encourage investments in start-up, entrepreneurial businesses in the state.

Fellow Stockholders,

I am pleased to send you SCANA Corporation's 1989 Annual Report. This report documents another successful year for our company, reflecting many operational challenges met and progress made toward meeting our longer term strategic goals. **E**arnings per share for 1989 were \$3.04 compared to \$3.00 for the prior year. I direct your attention to "Management's Discussion and Analysis of Financial Condition and Results of Operation" on page 40 for a detailed review of operating results. Cash dividends were increased 2.5% in April 1989 reflecting the real growth in the underlying business. The growth of earnings in 1989 certainly was modest, but it must be viewed in light of the impact of Hurricane Hugo and the mild weather early in the year. More importantly, we believe the coming year will show substantial progress. **O**n January 31, 1990 John A. Warren retired after a distinguished career in the energy industry. His accomplishments are outlined on the opposite page. He will continue to serve SCANA Corporation as chairman emeritus, director, and chairman of the executive committee. During the past year death claimed two men who made significant contributions to the company. J. Edwin Schachte had been a director since 1965. B. Marion Smith, Jr., an SCE&G senior vice president, had been an employee since 1958. They were part of an era of major growth for the company, and I will miss their counsel. **A**s I begin my tenure as chairman and chief executive officer, and as we begin a new decade, it is appropriate to examine the challenges and opportunities the company will confront in the coming years. These challenges are in three areas — potential changes in the structure of the electric industry, company growth prospects, and the environment. **O**ur core business is electric operations, constituting 75% of SCANA's assets. Currently many proposals are being considered at the federal and state level to restructure and deregulate the electric industry. Our primary response to the possibility of these changes has been to improve our competitive position versus other electric utilities, independent power producers and cogenerators. Currently our residential electric rates are 10.3% below those in effect in March 1984, and are among the lowest in the Southeast. Heavy emphasis on cost containment, manpower reductions and the effective use of technology have helped to stabilize and reduce operating expenses and have improved

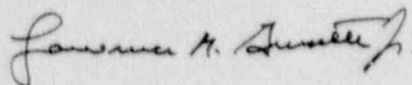


Lawrence M. Gressette, Jr.
Chairman, President and
Chief Executive Officer

efficiency in our operations. These programs will be continued. Higher cost capital has been restructured or replaced, and both the company and its customers have benefitted from lower income tax rates. We will continue our goal to be among the low cost producers in our general area in order to minimize the effect on shareholder value of any structural change or other competitive threats in electric operations. **I** expect the company to experience significant growth during the next decade, perhaps surpassing the progress of the last ten years. We have been extremely active in economic development activities, especially in the less urbanized areas of our service territory, and our efforts will continue. The State of South Carolina has made major strides during the past few years in the areas of education, technical training and other "quality of life" factors. As a result, the pace of economic development has quickened, with over \$9 billion of capital investment and 170,000 net new jobs announced in the past three years alone. While not all this growth occurs in our electric and gas service territories, the majority of it does, resulting in forecast average growth in customers, annual system sales and peak loads of 2% per year. The challenge for SCANA Corporation will be to install the necessary capacity to meet these added needs, not diminish our current price advantages, and capture the financial rewards of growth to improve shareholder value. **F**rom solely an electric service perspective, when a new system peak was established on July 11, 1989, our generation reserve margin fell to 23.8%. With customer growth continuing at 2% or more each year, the need for added generating capacity is clear. Currently our strategy is to install gas turbines to meet increases in peak loads. These units have the lowest capital cost to install, and will support our customers' needs while we assess the source and timing of additional capacity including base load generation. Studies indicate that the addition of an environmentally acceptable coal-fired plant to increase our generating capacity by 10% would require an increase of approximately 25% in the total assets of the company, and could have a negative impact on our competitive advantage. We are currently evaluating many options and no final decisions have been reached. **F**ortunately, natural gas supply issues can be more easily addressed, and without significant investment in plant. Deregulation of the wellhead price of natural gas has created very flexible supply opportunities which we are pursuing. We are currently

restructuring our contracts with our pipeline suppliers to better match our markets and are attempting to control significant reserves of our own. Environmental concerns are at the top of the current national agenda. SCANA and its subsidiaries are firmly committed to complying with existing statutes, rules and regulations. All our operations are closely monitored by our personnel, as well as by various governmental agencies, to ensure continuing compliance. The challenge for the company will be to adapt to changes and new restrictions in existing rules and regulations while the nation addresses the issues of acid rain/sulfur emissions, the greenhouse effect, particulate emissions, toxic waste, nuclear waste, and water quality standards, among others. Proposed changes would require significant capital investments and probably reduce our plants' operating efficiencies, both of which could adversely affect our customers and shareholders. We anticipate that acid rain legislation will be enacted by the Congress in 1990. Fortunately, none of our plants is among the 104 non-complying facilities requiring immediate remediation under President Bush's proposal. However, the proposed standards for the latter half of this decade would require retrofitting some of our generating plants, perhaps with scrubber technology or other pollution abatement equipment. SCANA Corporation will strive to continue its excellent record in environmental compliance. These are the more significant challenges which the company faces as I begin my tenure as chairman. We are committed to meeting them in a way that protects the interests of customers and promotes shareholder value. The company has a strong financial base and a growing service territory. More importantly, we have an organization of talented and resourceful people who will deal with these challenges and opportunities. Their outstanding performance in restoring our electric and gas systems after Hurricane Hugo, in supporting their fellow workers who suffered losses from that hurricane, and in the excellence with which they perform their daily tasks gives me great confidence we will meet our goals.

Respectfully submitted,



February 6, 1990

On the right:

More than 3,200 transformers – equivalent to a normal six-month supply – were damaged or destroyed by Hurricane Hugo.

Below:

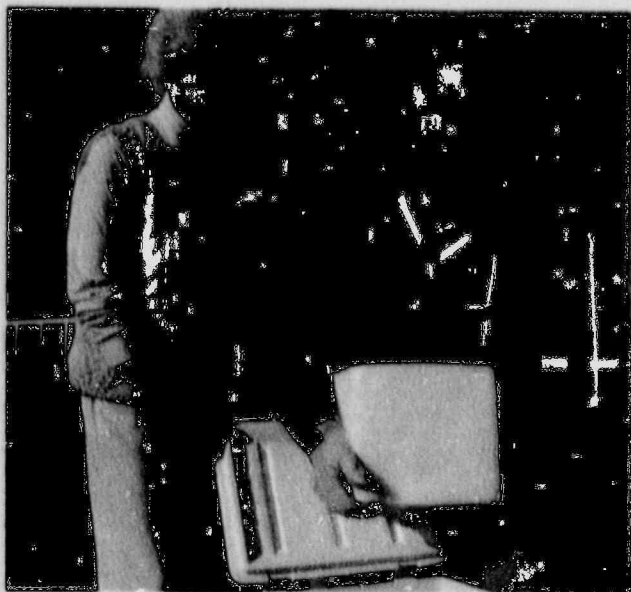
Special considerations were given to the welfare of our customers following Hurricane Hugo. More than 20,000 people rode SCE&G's public buses free of charge the week of October 2 - 7, and the company gave away more than 630,000 pounds of dry ice while power was being restored. Billing operations were also temporarily suspended.

Utility Operations

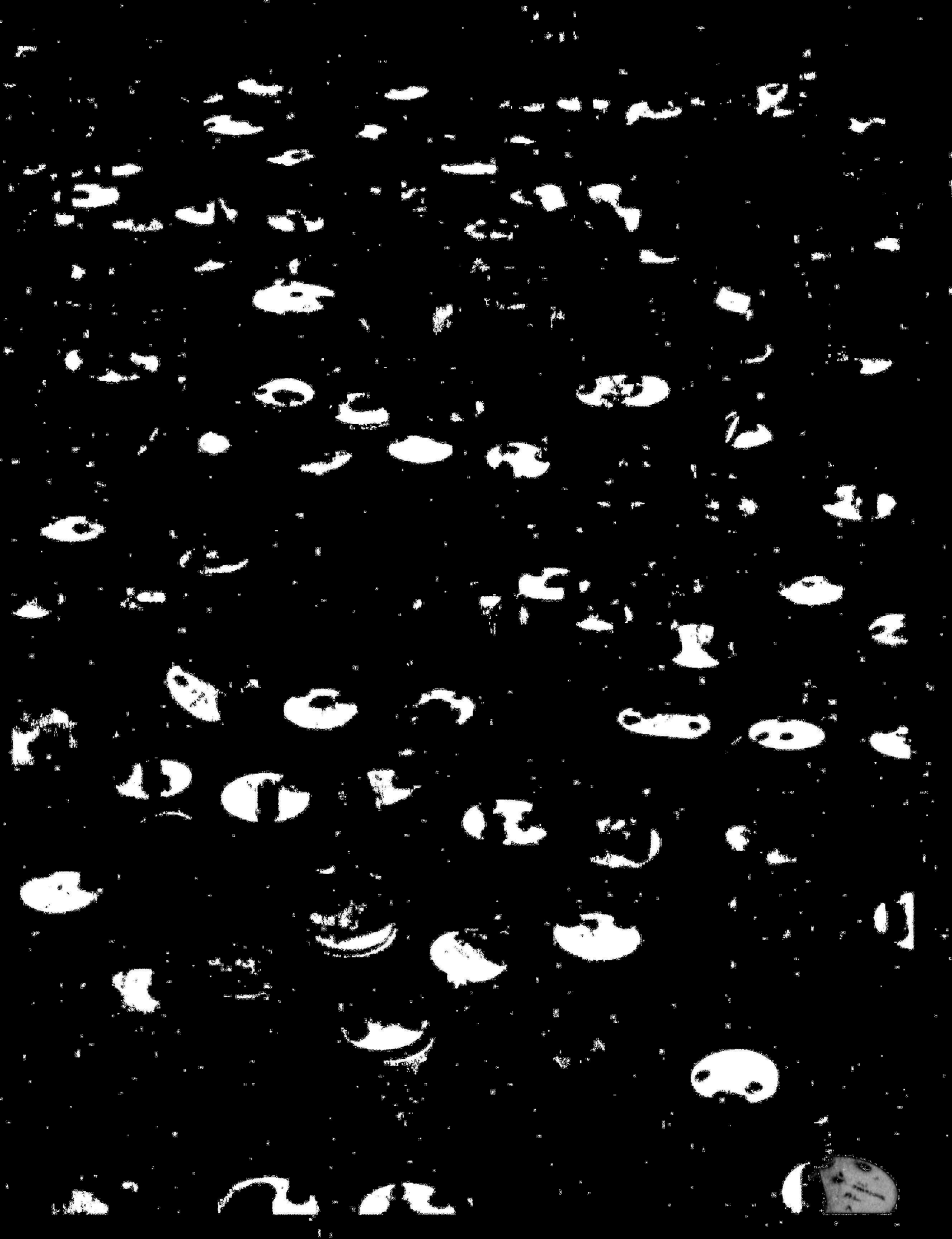
South Carolina Electric & Gas Company

In the early morning hours of September 22, 1989, Hurricane Hugo, with sustained winds approaching 150 mph, struck the coast of South Carolina at Charleston with devastating results. More than 300,000 SCE&G customers were left literally in the dark as "The Storm of the Century" caused extensive damage to the company's electric system. Two base load generating stations were knocked out of service. Approximately 5,000 distribution poles and 400 transmission structures were damaged or destroyed, and nearly 27,000 spans of transmission, distribution and service lines lay entangled in fallen trees. Initial estimates for restoration were from four to six weeks. Less than three weeks later, power had been fully restored to all SCE&G customers able to receive it. It was the largest restoration effort in the company's history and involved more than 4,700 SCE&G employees, retirees, private contractors and personnel from other utilities. Under a plan approved by The Public Service Commission of South Carolina (PSC), the restoration effort will have no significant impact to SCE&G's customers or to SCANA's financial position (see Note 2A of Notes to Consolidated Financial Statements).

Hurricane Hugo's rampage was unlike anything previously experienced by SCE&G or the State of South Carolina, but there were many positive results. Although Hugo left damage estimated at \$6 billion statewide, South Carolinians rebounded, rebuilt, and are back in business as usual. SCE&G's timely restoration effort was a key factor. Effective teamwork within SCE&G, with local government officials, and most importantly with our customers, made this possible. Hugo serves as a vivid reminder of how dependent we are upon each other, especially in times of crisis.







On the right:

SCE&G President and Chief Operating Officer Tom Nichols pays a visit to Major General John Renner, commander of the U.S. Army's Fort Jackson in Columbia. SCE&G's officer visitation program provides the company's large commercial and industrial customers with an opportunity to discuss matters of service on a face-to-face basis.

Routine operations reached new levels of performance during 1989. SCE&G's systemwide electric sales grew 2.9% over 1988 to 14.9 billion KWH. Residential sales increased 2.7%, commercial sales 5.1% and industrial sales .8%. Wholesale and other electric sales rose 4.6%. The number of SCE&G's electric customers increased 1.9% during 1989 to 435,030. Increased demand for air conditioning in response to hot, humid weather resulted in record demand on SCE&G's electric delivery system in July 1989. SCE&G customers set a new record July 11 for peak electricity consumption of 3,144 MW, a growth of 4.1% over the 1988 record of 3,021 MW. Abnormally cold weather also resulted in the establishment of a new all-time winter peak of 2,908 MW on December 23, 1989. SCE&G's peak generating capability is 3,891 MW and includes all electricity produced at the A.M. Williams Station, which is owned by another SCANA subsidiary, South Carolina Generating Company, Inc. SCE&G's fossil-fueled electric generating system, including Williams Station, is one of the most efficient in the nation. SCE&G's system ranked seventh among the nation's 100 largest investor-owned utilities in the latest annual survey of heat rates published by *Electric Light & Power* magazine. This marks the seventh year in a row that SCE&G has finished in the survey's Top 10. **T**he system's five coal-burning electric generating plants burned 4.5 million tons of coal in 1989. SCE&G purchases coal with relatively low sulfur content to minimize emissions of sulfur dioxide. SCE&G's 1989 system average for sulfur dioxide emissions was 1.66 lbs. per million BTUs, satisfying the stringent air quality standards required by the S.C. Department of Health and Environmental Control. None of the company's electric generating plants is included among the 104 non-complying plants requiring immediate reduction of sulfur dioxide emissions under President Bush's proposed changes in the Clean Air Act of 1970. **W**ith customer growth continuing at 2% or more each year, the need for added generation is clear. Currently, our strategy is to install gas turbines to meet increases in peak loads. These units have the lowest capital cost to install, and will support our customers' needs while we assess the source and timing of additional capacity including base load generation. Westinghouse Electric Corporation was awarded a \$32 million contract by SCE&G in 1989 to install a 93 MW gas- and oil-fueled turbine that is expected to be operational in 1991. This will be SCE&G's first generating unit addition since the V.C. Summer Nuclear Station went into commercial operation in 1984.

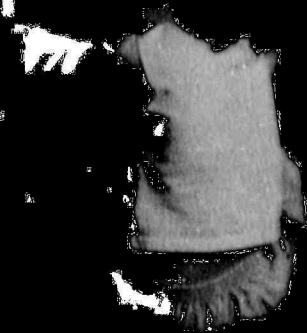
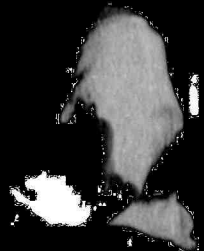




On the right:

***A hit everywhere he goes,
Louie the Lightning Bug is
SCE&G's official safety
spokesman. Through
Saturday morning
television advertisements
and live appearances,
Louie speaks to kids about
playing it safe around
electricity.***

Five years ago, SCE&G adopted a strategy of rate stability as a means to remain competitive in the rapidly changing electric utility industry. Today, SCE&G's continuing goal is to maintain its position as a low cost, high service supplier of energy. Electric marketing and sales activities play an increasing role in this strategy by influencing customer use of capacity through a growing number of marketing programs designed to encourage off-peak energy sales and minimize peak demands. Since 1984, SCE&G's average residential electric rates have declined approximately 10.3% as a result of lower federal income taxes, lower fuel costs and internal cost control measures. During the same period, however, the company experienced significant increases in property taxes, depreciation expense and operating and maintenance expenses while spending in excess of \$400 million in system improvements and new distribution services. Based on these escalating costs, in July 1989 SCE&G was granted its first retail electric rate increase since March 1984. At that time, the PSC granted SCE&G approximately \$21.9 million of a requested \$27.2 million annual increase in retail electric revenues. The PSC order granted an allowed return on common equity of 13.25%. On January 3, 1990 the Nuclear Regulatory Commission granted an extension of SCE&G's V.C. Summer Nuclear Station's operating license from March 21, 2013 to August 6, 2022. In compliance with the July 3, 1989 PSC order, SCE&G subsequently reduced its retail electric rates by approximately \$7.7 million to reflect lower depreciation expense resulting from the extension of the plant's license. The reduction decreased the additional annual revenues allowed in the July 3, 1989 order from \$21.9 million to \$14.2 million, for a net annual increase of 1.9%. Also effective July 3, the Federal Energy Regulatory Commission approved a 2.9% increase in SCE&G's wholesale electric rate which also was subsequently reduced as a result of the extension of the Summer Station license. SCE&G's average residential electric rate is slightly below 7 cents per KWH. That was approximately 2% below the regional average and 5% below the national average for investor-owned utilities according to a July 1989 study by the Edison Electric Institute. SCE&G's average residential electric rate is also lower than approximately two-thirds of the rural electric cooperatives in South Carolina. SCE&G's average commercial electric rate was approximately 5% lower than the regional average and 13% below the national average, according to the study, while the company's average industrial electric rate was approximately 3.8% lower than the regional average and 8.7% lower than the national average.





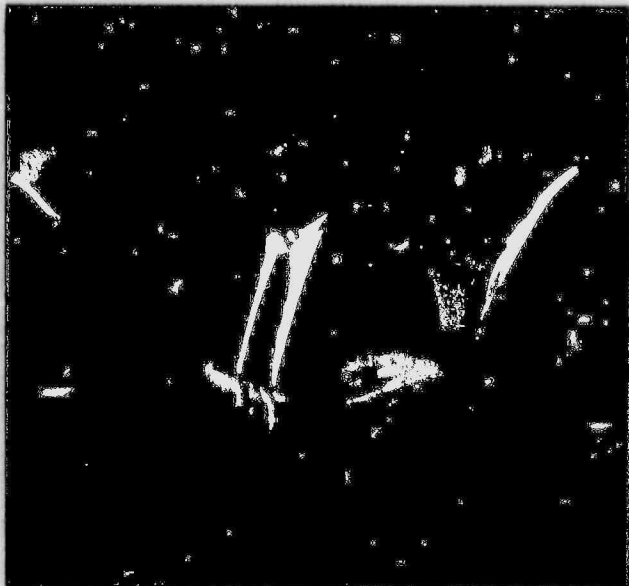
On the right:

Harry Burnell was recognized as SCE&G's 1989 Employee of the Year based on his involvement with the Big Brother program and other community activities. SCE&G established the program to recognize the contributions made by its employees to help those who are less fortunate.

Below:

Providing economic development grants to help facilitate water and sewer projects and other infrastructure needs is one of the ways SCE&G enhances life in the rural communities it serves.

Efficient operation of the V.C. Summer Nuclear Station is paramount in maintaining SCE&G's competitive price advantage. Summer Station achieved a capacity factor in 1989 of 69.8%. This was equivalent to nuclear industry average performance, but lower than that previously experienced at Summer Station. During the year several equipment problems caused unanticipated maintenance outages; however, no safety issues were involved. **T**he National Academy for Nuclear Training renewed the accreditation of two training programs at Summer Station after conducting thorough on-site evaluations during 1989. The Academy is administered by the Institute of Nuclear Power Operations, the nuclear industry's self-assessment agency that promotes excellence in the operation of nuclear plants. **S**ummer Station is scheduled to be taken out of service for 65 days beginning March 23, 1990 for refueling. During this planned outage, the first for refueling since the fall of 1988, more than 6,000 testing and maintenance tasks will be performed by plant personnel with the assistance of an additional 800 contract workers. **I**n its last Systematic Assessment of Licensee Performance, the Nuclear Regulatory Commission gave Summer Station above average marks for overall performance. Although this is a very good achievement, it is not satisfactory from SCE&G's standpoint, and the company is working to improve its performance and achieve an excellent rating for the current assessment period.





On the right:

A booth at the S.C. State Fair takes SCE&G customers back in time to demonstrate the technological advances that have taken place in the utility industry in the last 50 years. SCE&G uses opportunities presented by public events to increase customer awareness of the price/value of the company's products.

Below:

More and more people are enjoying the reliability and comfort of natural gas. In November, Charleston gas operations extended service to John's Island.



SCE&G's natural gas system also was affected by Hurricane Hugo. A tidal surge estimated at 17 feet unearthed distribution and service lines and disrupted service in Folly Beach near Charleston, and in the Georgetown-Myrtle Beach area 100 miles to the north. Gas crews serviced more than 4,000 orders and repaired over 1,500 leaks as a result of Hugo. A leak survey has been conducted along the coast to ensure the integrity of the gas delivery system. SCE&G's natural gas water heater replacement sales program resulted in sales of 9,800 units versus a goal of 8,000. This aggressive sales program has had a substantial impact on SCE&G's natural gas load growth as more than 22,000 units have been sold in the last two years. At year-end 1989, SCE&G was serving 205,471 natural gas customers, a 2.1% increase over 1988. Due to an unseasonably mild winter, residential sales were down 4.2% and commercial sales fell by 11.5%. Industrial sales were up 1.4%. However, gas transported by SCE&G for industrial end-users increased 17.7% over 1988. Gas operations extended service to residents of John's Island through a 6.8-mile pipeline from Charleston that necessitated special construction provisions to ensure the protection of the sensitive coastal environment. The first customer was connected November 22. Plans are being considered to extend this line to open new markets on nearby Seabrook and Kiawah Islands as they develop. On November 30, 1989 the PSC approved an increase in SCE&G's firm natural gas revenues of \$10.1 million annually, based on an allowed return on common equity of 12.75%. Since the company's last rate increase in 1987, SCE&G has invested more than \$47 million to expand and upgrade its natural gas delivery system. That

investment continued to provide benefits during 1989. SCE&G's gas delivery system passed a stern test in late December when unusually cold weather settled over the South. While some gas utilities experienced fuel shortages and advised customers to reduce usage, SCE&G was able to meet the record customer demand by supplementing its normal natural gas supplies with propane-air reserves.



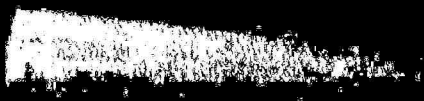
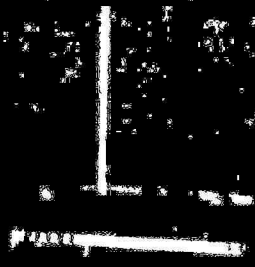


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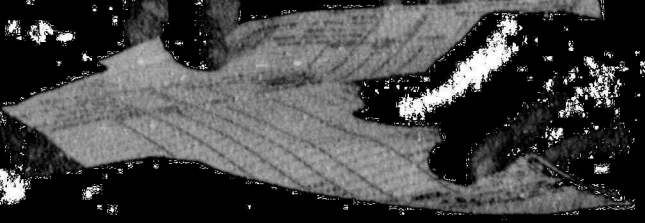
Farm safety education is another service provided by SCE&G to its customers in rural areas. Topics covered include the hazards associated with tractor turnovers, contact with electric lines, silo and grain bin storage and poisonous chemicals.

South Carolina Pipeline Corporation

SCPC experienced a record throughput of natural gas on its 1,671-mile intrastate gas pipeline system during 1989. Total throughput was 83.1 million MCF in 1989, an increase of 4.3% over 1988. Total sales during 1989 increased 6.4%, with sales to industrial customers up 19.2%. Total purchases, including gas purchased for resale, were up 6.7% from 1988 to 73.4 million MCF. **S**pot market purchases totalled 52.0 million MCF in 1989. SCPC utilizes over 25 different suppliers to meet its gas needs. As recently as six years ago, SCPC purchased 100% of its supply from only two suppliers. Deregulation of the supply side of the natural gas industry has created a competitive market for supplies, and natural gas utilities across the country are adapting to the new environment. Spot market purchases helped make it possible for SCPC to successfully compete with alternative fuel suppliers for industrial customers in 1989. **T**he value of SCPC's diversity of suppliers and its liquefied natural gas and propane-air reserves became evident in December 1989 when single-digit temperatures drove demand to record highs across the state. SCPC met all firm customer needs during this period, and in some cases deliveries exceeded contract requirements. **T**o meet future load growth, construction began in October on a 13-mile distribution pipeline from the city of Hartsville to the city of Darlington. The line, built parallel to an existing line, allows SCPC to accommodate growth in the coastal areas around Myrtle Beach.



SC 13
P. 2





On the right:

"Intergenerational day care" is the concept behind Gene-Gap Inc., an Alken-based corporation that provides day care services for children up to the age of 12 and for adults aged 50 and over. SCANA Capital Resources, Inc., SCANA Corporation's venture capital subsidiary, is a one-third owner of Gene-Gap.

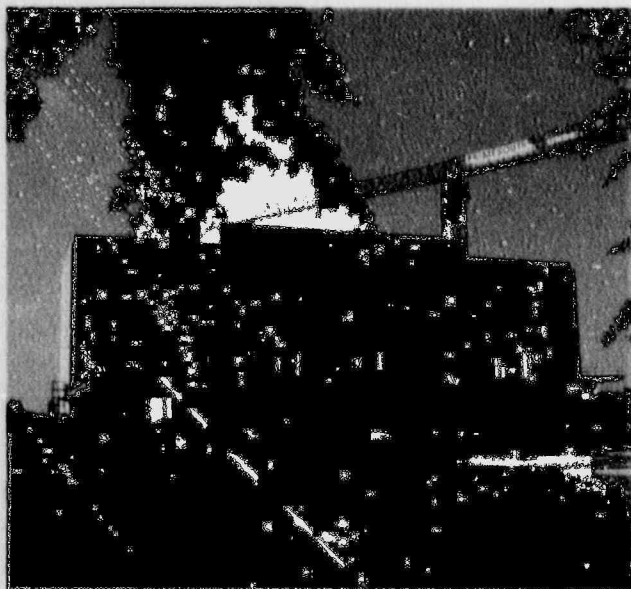
Below:

At Richland Memorial Hospital in Columbia, Primesouth is the general contractor for the construction of a 65,000-square-foot cardiovascular and surgical wing.

Non-Utility Operations

SCANA Corporation

SCANA continues to develop compatible businesses within the SCANA family utilizing the skills and abilities of its personnel. SCANA's largest investment outside its utility operations is in Telecom*USA. Through MPX Systems, Inc. SCANA owns approximately 11.7% of the common stock of Telecom*USA, the nation's fourth-largest telecommunications carrier with 1989 revenues of \$712.9 million and net income of \$36.9 million. Telecom*USA experienced significant growth in the last few years and continues to perform well despite recent decreases in the value of its common stock. Management believes Telecom*USA represents a favorable long-term investment for the company in the rapidly growing telecommunications industry. During 1989 SCANA Software Services, Inc. curtailed operations due to poor performance. However, this had no significant impact on SCANA's financial condition. Primesouth, Inc., a construction and energy services subsidiary, finished 1989 with total revenues of approximately \$47 million. During 1989 Primesouth was awarded service contracts to operate power plant projects for their owners in Virginia, Pennsylvania and Michigan. The non-utility operations did not have a significant impact on SCANA's income in 1989 and are not expected to in 1990.

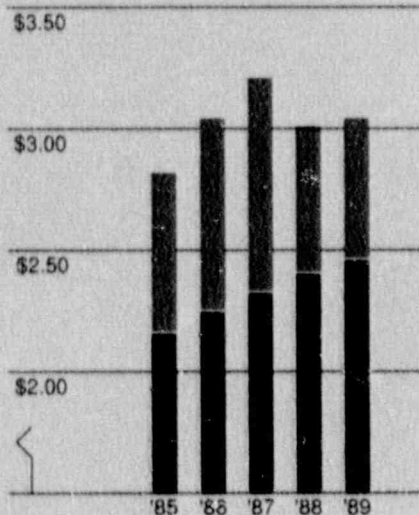






Earnings and Dividends Per Common Share

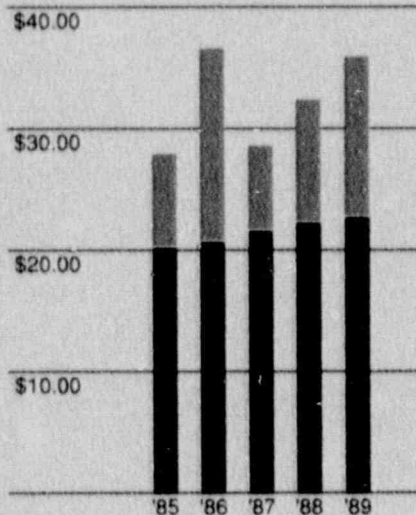
■ Earnings
■ Dividends Declared



Earnings growth has allowed the common stock dividend to be increased in 36 of the last 37 years.

Market Price and Book Value per Common Share (year-end)

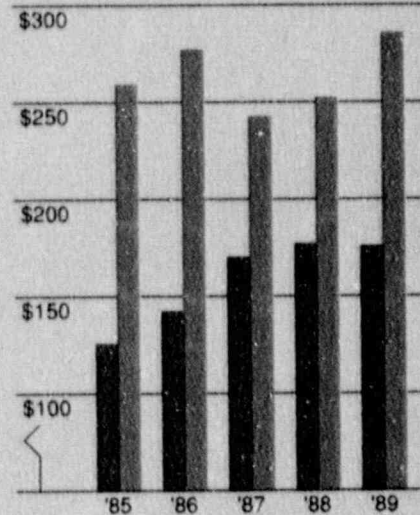
■ Market Price
■ Book Value



The market-to-book ratio improved to 157% at year-end 1989.

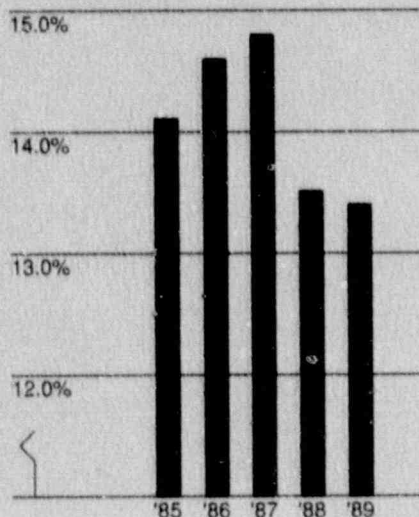
Sources of Cash Requirements For Construction (millions)

■ Construction Cash Requirements
■ From Internal Sources



Internal cash generation provided an average of 167% of SCANA's construction cash requirements over the last five years.

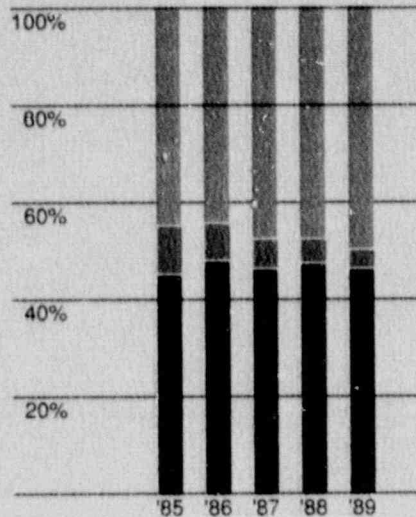
Return on Common Equity (year-end)



Earning a competitive return on stockholders' investment is a key corporate goal.

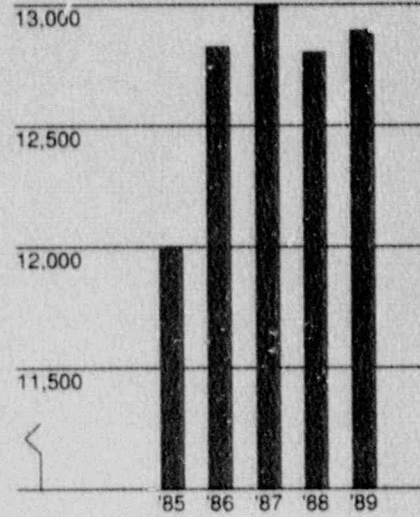
Capital Structure

■ Long-Term Debt, Net
■ Preferred Stock
■ Common Equity



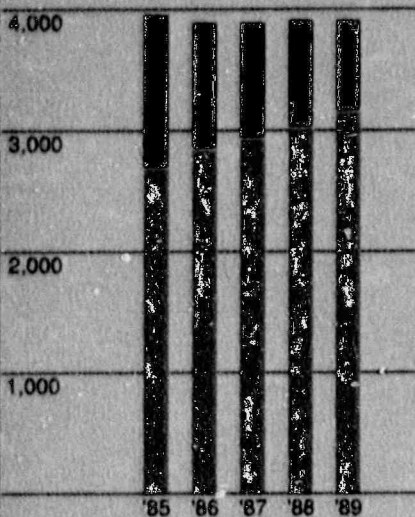
SCANA's well-balanced capital structure supports its growth strategy.

Average Annual Use per Residential Electric Customer (kilowatt-hours)



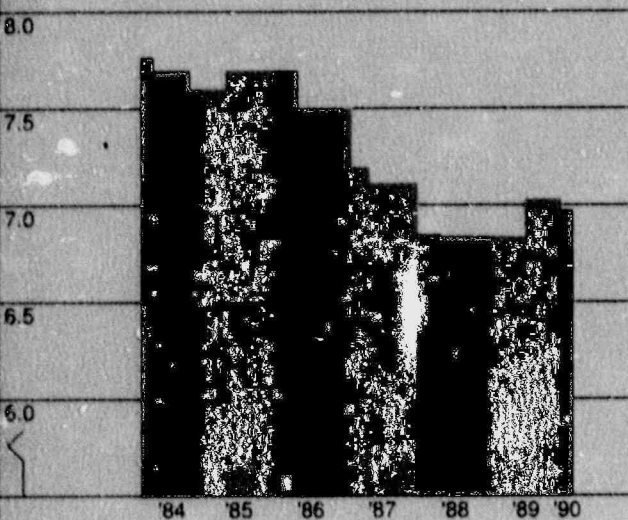
SCE&G's residential electric customers consistently exceed the national average for annual kilowatt hour usage.

Electric Capability and Peak Demand
(megawatts)
Generating Capability
Territorial Peak Demand



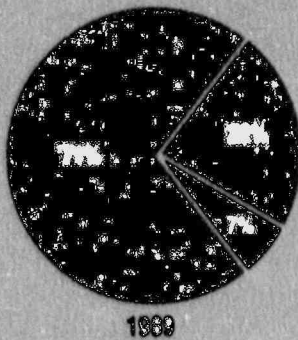
Electric generating facilities provided a 24% reserve margin during 1989's record peak demand.

Residential Electric Rate History
March 1984-February 1990
(average annual cost in cents per KWH)



SCE&G's average residential electric rate has declined more than 10% since March 1984.

Generation Fuel Mix
(includes GENCO)
Coal
Nuclear
Hydro and Other

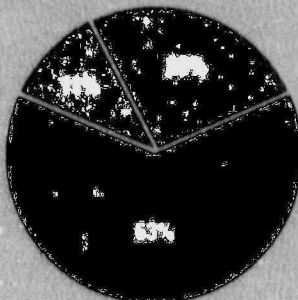


1989

The company's coal-fired generating system consistently ranks among the industry's leaders in generating efficiency.

Total Gas System Supply

- Customer Owned Transported
- SCPC Spot Market Purchases
- Contract Deliveries-Southern and Transco



1989

Purchases of natural gas on the spot market continued to help SCPC remain competitive in 1989.

DIRECTORS

J. K. Addy ^{1,2}
President
Addy Dodge, Inc.
Lexington, South Carolina

W. B. Bookhart, Jr. ^{3,5}
Partner
W. B. Bookhart Farms
Elioree, South Carolina

H. M. Chapman ^{2,4}
President
The Citizens & Southern
Corporation
Atlanta, Georgia

J. B. Edwards, DMD ^{1,5}
President
Medical University of
South Carolina
Charleston, South Carolina

L. M. Gressette, Jr.
Chairman of the Board,
President and
Chief Executive Officer
SCANA Corporation
Columbia, South Carolina

J. B. Guess, III ^{2,3}
Owner
Edisto Farms
Denmark, South Carolina

B. A. Hagood ^{3,4}
President
Wm. M. Bird and Co., Inc.
Charleston, South Carolina

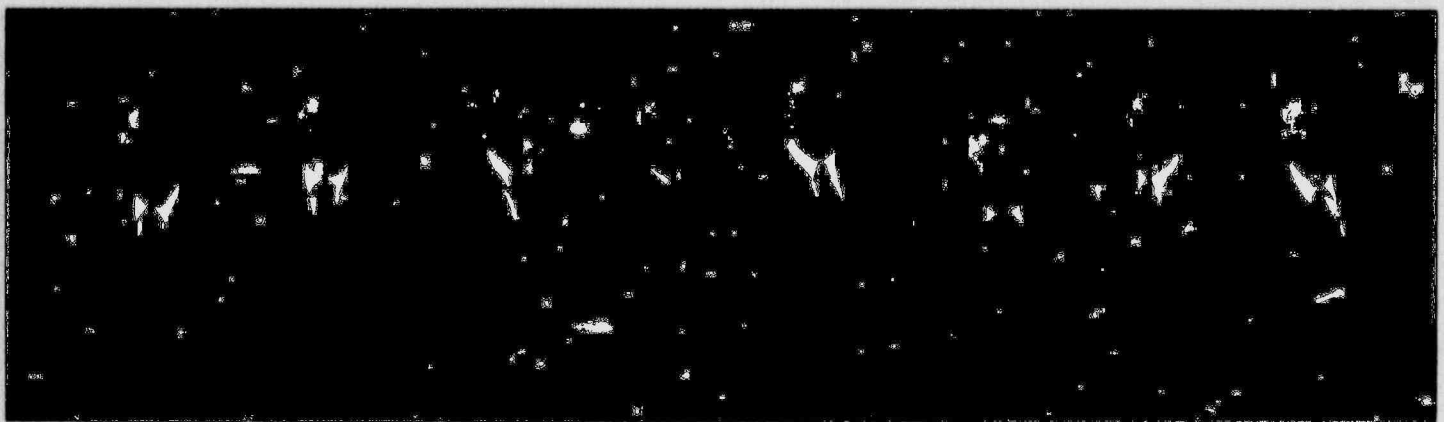
J. F. Hassell, Jr. ^{2,3}
Retired Chairman and
Chief Executive Officer
Pre-Stress Concrete
Company, Inc.
Charleston, South Carolina

W. H. Hipp ^{2,4}
President and
Chief Executive Officer
The Liberty Corporation
Greenville, South Carolina

F. C. McMaster ^{1,5}
President
Winnsboro Petroleum Company
Winnsboro, South Carolina

T. C. Nichols, Jr.
President
South Carolina Electric
& Gas Company
Columbia, South Carolina

E. W. Pike, Jr. ^{1,4}
President
Colonial Development Company
Beaufort, South Carolina



OFFICERS

SCANA Corporation

L. M. Gressette, Jr.
Chairman of the Board,
President and
Chief Executive Officer

Cathy B. Novinger
Senior Vice President
Administration and
Governmental Affairs

W. B. Timmerman
Senior Vice President
and Controller
Chief Financial Officer

R. L. Cohen
Vice President
Corporate Development

B. T. Horton, Jr.
Treasurer

Barbara D. Blair
Secretary

E. C. Roberts
Assistant Secretary

Principal Subsidiaries

South Carolina Electric & Gas Company

T. C. Nichols, Jr.
President and
Chief Operating Officer

O. W. Dixon, Jr.
Executive Vice President
Operations

D. A. Nauman
Senior Vice President
Power Production

R. W. Stedman
Senior Vice President
Administration

J. H. Young, Jr.
Senior Vice President
Customer Relations

O. S. Bradham
Vice President
Nuclear Operations

G. J. Bullwinkel, Jr.
Vice President
Customer Relations - Southern
Division

W. A. Darby
Vice President
Gas Operations

R. D. Hazel
Vice President
Administration - Southern Division

B. T. Horton, Jr.
Vice President and Treasurer

Johnny Kintoch
Vice President
Transit and Fleet Maintenance

C. B. McFadden
Vice President
Human Resources and
Corporate Communications

S. C. McMeekin, Jr.
Vice President
Customer Relations - Northern
Division

D. C. McNamara
Vice President
Electric Marketing/Sales

DIRECTORS

J. K. Addy ^{1,2}
President
Addy Dodge, Inc.
Lexington, South Carolina

W. B. Bookhart, Jr. ^{3,5}
Partner
W. B. Bookhart Farms
Elleree, South Carolina

H. M. Chapman ^{2,4}
President
The Citizens & Southern
Corporation
Atlanta, Georgia

J. B. Edwards, DMD ^{1,5}
President
Medical University of
South Carolina
Charleston, South Carolina

L. M. Grissette, Jr.
Chairman of the Board,
President and
Chief Executive Officer
SCANA Corporation
Columbia, South Carolina

J. B. Guess, III ^{2,3}
Owner
Edisto Farms
Denmark, South Carolina

B. A. Hagood ^{3,4}
President
Wm. M. Bird and Co., Inc.
Charleston, South Carolina

J. F. Hassell, Jr. ^{2,3}
Retired Chairman and
Chief Executive Officer
Pre-Stress Concrete
Company, Inc.
Charleston, South Carolina

W. H. Hipp ^{2,4}
President and
Chief Executive Officer
The Liberty Corporation
Greenville, South Carolina

F. C. McMaster ^{1,5}
President
Winnsboro Petroleum Company
Winnsboro, South Carolina

T. C. Nichols, Jr.
President
South Carolina Electric
& Gas Company
Columbia, South Carolina

E. W. Pike, Jr. ^{1,4}
President
Colonial Development Company
Beaufort, South Carolina



OFFICERS

SCANA Corporation

L. M. Grissette, Jr.
Chairman of the Board,
President and
Chief Executive Officer

Cammy B. Novinger
Senior Vice President
Administration and
Governmental Affairs

W. B. Timmerman
Senior Vice President
and Controller
Chief Financial Officer

R. L. Cohen
Vice President
Corporate Development

B. T. Horton, Jr.
Treasurer

Barbara D. Blair
Secretary

E. C. Roberts
Assistant Secretary

Principal Subsidiaries

South Carolina Electric & Gas Company

T. C. Nichols, Jr.
President and
Chief Operating Officer

O. W. Dixon, Jr.
Executive Vice President
Operations

D. A. Nauman
Senior Vice President
Power Production

R. W. Stedman
Senior Vice President
Administration

J. H. Young, Jr.
Senior Vice President
Customer Relations

O. S. Bradham
Vice President
Nuclear Operations

G. J. Bullwinkel, Jr.
Vice President
Customer Relations - Southern
Division

W. A. Darby
Vice President
Gas Operations

R. D. Hazel
Vice President
Administration - Southern Division

B. T. Horton, Jr.
Vice President and Treasurer

Johnny Kintoch
Vice President
Transit and Fleet Maintenance

C. B. McFadden
Vice President
Human Resources and
Corporate Communications

S. C. McMeekin, Jr.
Vice President
Customer Relations - Northern
Division

D. C. McNamara
Vice President
Electric Marketing/Sales

Directors Emeriti

Henry Ponder, Ph.D. ^{2,3}

President
Fisk University
Nashville, Tennessee

J. B. Rhodes ^{4,5}

Chief Executive Officer
Rhodes Oil Company, Inc.
Walterboro, South Carolina

V. C. Summer ^{3,5}

Chairman of the Board Emeritus
SCANA Corporation
Columbia, South Carolina

E. C. Wall, Jr. ^{1,4}

President
Canal Industries, Inc.
Conway, South Carolina

John A. Warren ⁶

Chairman of the Board Emeritus
SCANA Corporation
Columbia, South Carolina

¹ Member of Executive Committee

² Member of Audit Committee

³ Member of Corporate Performance and Strategic Planning Committee

⁴ Member of Investment, Compensation and Management Development Committee

⁵ Member of Nuclear Oversight Committee

⁶ Chairman of the Executive Committee

W. R. Bruce

K. W. French

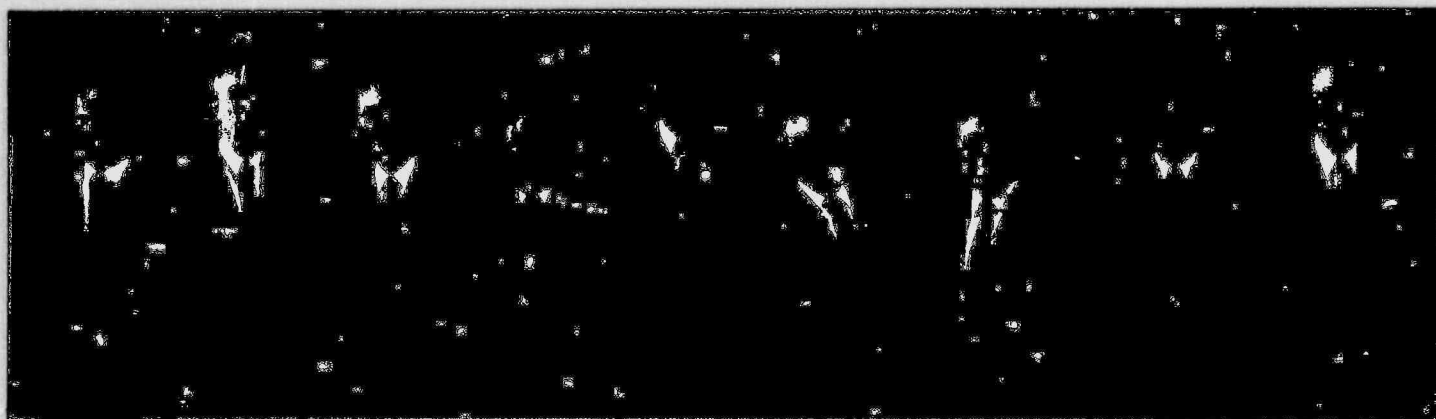
F. M. Hipp

J. H. Lumpkin

A. C. Mustard

A. M. Williams

*Directors' pictures below shown
in alphabetical order left to right.*



K. B. Marsh

Vice President and Controller

W. E. Moore, Jr.

Vice President
Fossil and Hydro Operations

E. C. Roberts

Vice President and General
Counsel and Assistant
Secretary

Patricia T. Smith

Vice President
Rates, Purchasing and
Regulatory Affairs

J. G. Black, II

Assistant Treasurer

South Carolina Pipeline Corporation

Max Earwood

President and Treasurer

R. M. Kightlinger

Vice President
Supply and Engineering

B. J. MacInnis

Vice President
Operations

George Fasano, Jr.

Controller

Primesouth, Inc.

J. M. Woods, III

President and Treasurer

J. C. Chapman

Senior Vice President,
Controller and
Assistant Secretary

South Carolina Real Estate Development Company, Inc.

A. H. Gibbes

President and Treasurer

Judith H. Battle

Controller

MPX Systems, Inc.

L. M. Gressette, Jr.

President

W. B. Timmerman

Senior Vice President

J. H. Young, Jr.

Senior Vice President

Contents

- 25 Management Report
- 25 Report of independent Certified Public Accountants
- 26 Consolidated Financial Statements
- 32 Notes to Consolidated Financial Statements
- 39 Common Stock Information
- 40 Management's Discussion & Analysis of Financial Condition & Results of Operation
- 42 Selected Financial Data

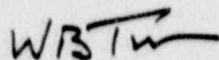
Management Report

The Management of SCANA Corporation (the Company) is responsible for the preparation and integrity of the financial data included in the accompanying Consolidated Financial Statements. These statements have been prepared in conformity with generally accepted accounting principles, as applicable. In situations that prevent exact accounting measurements, management has used informed judgments and estimates. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Company maintains and relies upon a system of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the books and records and that assets are protected against loss or unauthorized use. The degree of internal accounting control is based upon the determination of the optimum balance between the cost incurred in maintaining a system of internal controls and the benefits

to be derived. The system of internal accounting controls is supported by written policies and guidelines and is complemented by the selection, training and development of professional financial managers and by a staff of internal auditors who conduct comprehensive internal audits.

The Board of Directors provides oversight for the preparation of the financial statements through its Audit Committee, which is composed entirely of nonemployee directors. The Audit Committee meets periodically with management and internal auditors to review their activities and responsibilities. The Audit Committee also meets periodically with the Company's independent auditors, Deloitte & Touche. The internal and independent auditors have free access to the Audit Committee to discuss internal accounting controls, auditing and financial reporting matters.



W. B. Timmerman
Senior Vice President
Chief Financial Officer

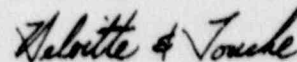
SCANA CORPORATION

We have audited the Consolidated Balance Sheets and Consolidated Statements of Capitalization of SCANA Corporation and subsidiaries ("Company") as of December 31, 1989 and 1988 and the related Consolidated Statements of Income and Retained Earnings and of Cash Flows for each of the three years in the period ended December 31, 1989. 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 generally accepted auditing standards. Those standards require that we plan and perform the audits 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 financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1989 and 1988, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.



Columbia, South Carolina
February 6, 1990

Consolidated Balance Sheets

December 31,	1989	1988
ASSETS	<i>(Thousands of Dollars)</i>	
Utility Plant (Notes 1, 3 and 4):		
Electric	\$ 2,794,405	\$ 2,679,699
Gas	333,640	314,731
Transit	4,034	4,013
Common	49,074	45,622
Total	3,181,153	3,044,065
Less accumulated depreciation and amortization	956,137	873,060
Total	2,225,016	2,171,005
Construction work in progress	129,287	120,187
Nuclear fuel, net of accumulated amortization	57,821	60,290
Acquisition adjustment — gas, net of accumulated amortization	32,154	33,151
Utility Plant, Net	2,444,278	2,384,633
Other Property and Investments:		
Non-utility property (substantially at cost)	67,542	51,139
Investments (Note 1)	68,673	60,509
Total Other Property and Investments	136,215	111,648
Current Assets:		
Cash and temporary cash investments	10,465	5,278
Receivables	133,190	123,898
Inventories (at average cost):		
Fuel (Notes 3 and 4)	48,200	55,224
Materials and supplies	43,838	29,009
Prepayments	18,661	16,023
Total Current Assets	254,354	229,432
Deferred Debits:		
Unamortized debt expense	6,901	6,693
Accumulated deferred income taxes (Notes 1 and 7)	22,038	19,892
Unamortized deferred return on plant investment (Notes 1 and 2)	31,844	36,089
Nuclear plant decommissioning fund (Note 1)	12,016	9,529
Other (Note 1)	76,861	89,363
Total Deferred Debits	149,660	161,566
Total	\$ 2,984,507	\$ 2,887,279

December 31,	1989	1988
CAPITALIZATION AND LIABILITIES	<i>(Thousands of Dollars)</i>	
Stockholders' Investment:		
Common Equity	\$ 918,235	\$ 895,727
Preferred Stock (Not Subject to Purchase or Sinking Funds)	26,027	26,029
Total Stockholders' Investment	944,262	921,756
Preferred Stock (Subject to Purchase or Sinking Funds)	68,038	77,244
Long-Term Debt, Net	1,003,972	885,679
Total Capitalization	2,016,272	1,884,679
Current Liabilities:		
Short-term borrowings (Note 8)	37,587	98,851
Current portion of long-term debt (Note 3)	33,687	55,543
Accounts payable	104,002	100,033
Customer deposits	13,412	16,710
Taxes accrued	40,377	35,976
Interest accrued	25,493	17,938
Dividends declared	26,544	26,188
Other	11,273	9,056
Total Current Liabilities	292,375	370,295
Deferred Credits:		
Accumulated deferred income taxes (Notes 1 and 7)	489,144	451,597
Accumulated deferred investment tax credits (Notes 1 and 7)	109,351	113,633
Accumulated reserve for nuclear plant decommissioning (Note 1)	12,016	9,529
Other	65,349	57,546
Total Deferred Credits	675,860	632,305
Commitments and Contingencies (Note 9)	—	—
Total	\$ 2,984,507	\$ 2,887,279

Consolidated Statements of Income & Retained Earnings

For the Years Ended December 31,	1989	1988	1987
	(Thousands of Dollars except per share amounts)		
Operating Revenues (Notes 1 and 2):			
Electric	\$ 822,112	\$ 787,956	\$ 806,826
Gas	297,069	291,308	305,934
Transit	4,102	4,060	3,212
Total Operating Revenues	1,123,283	1,083,324	1,115,972
Operating Expenses:			
Fuel used in electric generation	224,035	224,278	227,877
Purchased and interchange power, net	(2,024)	(6,412)	(12,486)
Gas purchased for resale	212,112	209,344	222,319
Other operation (Note 1)	180,126	174,758	169,356
Maintenance (Note 1)	69,338	54,050	57,995
Depreciation and amortization (Note 1)	102,296	97,389	92,583
Income taxes (Notes 1 and 7)	65,535	69,030	95,051
Other taxes	58,681	56,217	58,892
Total Operating Expenses	910,099	878,654	911,587
Operating Income	213,184	204,670	204,385
Other Income (Note 1):			
Allowance for equity funds used during construction	2,194	1,821	2,063
Deferred return on plant investment (Notes 1 and 2)	—	—	6,063
Other income (loss), net of income taxes	4,931	2,326	(1,731)
Total Other Income	7,125	4,147	6,395
Income Before Interest Charges and Preferred Stock Dividends	220,309	208,817	210,780
Interest Charges (Credits):			
Interest on long-term debt, net	86,178	75,075	68,119
Other interest expense	8,244	9,352	5,155
Allowance for borrowed funds used during construction (Note 1)	(4,001)	(4,370)	(1,796)
Total Interest Charges, Net	90,421	80,057	71,478
Preferred Stock Cash Dividends of Subsidiary (At stated rates)	7,263	8,014	10,437
Net Income	122,625	120,746	128,865
Retained Earnings at Beginning of Year	321,155	297,120	262,671
Common Stock Cash Dividends Declared (Note 5)	(99,128)	(96,711)	(93,487)
Other Capital Stock Transactions, Net	—	—	(929)
Retained Earnings at End of Year	\$ 344,652	\$ 321,155	\$ 297,120
Net Income	\$ 122,625	\$ 120,746	\$ 128,865
Common Shares Outstanding (Thousands)	40,296	40,296	40,296
Earnings Per Share of Common Stock	\$ 3.04	\$ 3.00	\$ 3.20

Consolidated Statements of Cash Flows

For the Years Ended December 31,	1989	1988	1987
	(Thousands of Dollars)		
Cash Flows From Operating Activities:			
Net income	\$ 122,625	\$ 120,746	\$ 128,865
Adjustments to reconcile net income to cash flows:			
Depreciation and amortization	102,296	97,389	92,583
Amortization of nuclear fuel	19,584	14,732	17,196
Deferred income taxes, net	34,759	32,246	20,627
Deferred investment tax credits, net	(4,282)	(3,544)	(2,589)
Allowance for funds used during construction	(6,195)	(6,191)	(3,859)
Deferred return on plant investment	—	—	(6,063)
Application of deferred credits to storm damage costs (Note 2)	(13,783)	—	—
Nuclear refueling accrual	8,863	(4,002)	(559)
Equity (earnings) losses in investees (Note 1)	(357)	(1,140)	968
Changes in certain current assets and liabilities:			
Receivables	(9,292)	(18,857)	2,037
Inventories	(7,805)	1,333	(12,365)
Accounts payable	3,969	17,244	721
Customer deposits	(3,298)	1,450	1,843
Taxes accrued	4,401	(424)	(9,436)
Interest accrued	7,555	1,254	4,537
Other, net	26,092	(1,599)	6,143
Net Cash Provided from Operations	285,132	250,637	240,649
Cash Flows From Investing Activities:			
Property additions	(181,545)	(182,890)	(173,318)
Other property and investments	(24,210)	(40,643)	(21,289)
Principal noncash item:			
Allowance for funds used during construction	6,195	6,191	3,859
Net Cash Used For Investing Activities	(199,560)	(217,342)	(190,748)
Cash Flows From Financing Activities:			
Issuance of first mortgage bonds	—	—	100,000
Bank notes sold	153,000	—	40,000
Note sold	34,000	—	—
Pollution control bonds sold	—	—	4,365
Increase (decrease) in short-term borrowings, net	(61,264)	77,286	(59,011)
Increase (decrease) in fuel financings, net	(6,158)	(778)	13,938
Reduction of long-term debt	(92,231)	(19,794)	(13,001)
Retirement of preferred stock	(9,208)	(7,388)	(32,910)
Payment of dividends on common stock	(98,524)	(96,144)	(93,831)
Net Cash Used For Financing Activities	(80,385)	(46,818)	(40,450)
Net Increase (Decrease) in Cash and Temporary Cash Investments	5,187	(13,523)	9,451
Cash and Temporary Cash Investments, January 1	5,278	18,801	9,350
Cash and Temporary Cash Investments, December 31	\$ 10,465	\$ 5,278	\$ 18,801
Supplemental Cash Information:			
Cash paid for — Interest	\$ 86,155	\$ 83,173	\$ 68,737
— Preferred stock dividends	7,441	8,163	11,524
— Income taxes	22,836	47,218	90,510
Noncash Financing Activities:			
Direct billing obligations under supplier take-or-pay arrangements (Note 2)	—	\$ 50,036	—

Consolidated Statements of Capitalization

December 31,	1989	1988
Common Equity (Note 5):	<i>(Thousands of Dollars)</i>	
Common stock, no par value, authorized 75,000,000 shares; issued and outstanding, 1989 and 1988 - 40,296,147 shares	\$573,583	\$574,572
Retained earnings	344,652	321,155
Total Common Equity	918,235	895,727

South Carolina Electric & Gas Company:
Cumulative Preferred Stock (Not Subject to Purchase or Sinking Funds) (Note 5):

\$100 Par Value — Authorized 200,000 shares

\$50 Par Value — Authorized 125,209 shares

	Series	Shares Outstanding		Redemption Price				
		1989	1988	Current	Through	Eventual Minimum		
\$100 Par	8.40%	197,668	197,668	104.70	11-30-91	101.00	19,767	19,767
\$50 Par	5.00%	125,209	125,234	52.50	—	52.50	6,260	6,262
Total Preferred Stock (Not Subject to Purchase or Sinking Funds)							26,027	26,029

South Carolina Electric & Gas Company:
Cumulative Preferred Stock (Subject to Purchase or Sinking Funds) (Note 6):

\$100 Par Value — Authorized 1,550,000 shares

	Series	Shares Outstanding		Redemption Price				
		1989	1988	Current	Through	Eventual Minimum		
	7.70%	103,583	105,000	101.00	—	101.00	10,368	10,500
	8.12%	145,221	149,596	102.03	—	102.03	14,522	14,960
		<u>248,904</u>	<u>254,596</u>					

\$50 Par Value — Authorized 1,690,686 shares

	Series	Shares Outstanding		Redemption Price				
		1989	1988	Current	Through	Eventual Minimum		
	4.50%	27,200	28,800	51.00	—	51.00	1,360	1,440
	4.60%	9,834	11,334	50.50	—	50.50	492	567
	4.60% (A)	38,052	40,052	51.00	—	51.00	1,903	2,002
	4.60% (B)	95,200	98,600	50.50	—	50.50	4,760	4,930
	5.125%	78,000	79,000	51.00	—	51.00	3,900	3,950
	6.00%	102,400	105,600	50.50	—	50.50	5,120	5,280
	8.00%	—	140,000	50.00	—	50.00	—	7,000
	8.72%	288,000	302,300	52.00	12-31-93	50.00	14,400	15,115
	9.40%	224,269	230,001	51.175	—	51.175	11,213	11,500
		<u>862,955</u>	<u>1,035,687</u>					

\$25 Par Value — Authorized 2,000,000 shares; None outstanding in 1989 and 1988

Total Preferred Stock (Subject to Purchase or Sinking Funds)	68,038	3%	77,244	4%
---------------------------------------------------------------------	---------------	-----------	---------------	-----------

December 31,		1989	1988
Long-Term Debt (Notes 3 and 4):		<i>(Thousands of Dollars)</i>	
South Carolina Electric & Gas Company:			
First and Refunding Mortgage Bonds:			
Series	Year of Maturity		
10-1/2%	1990	6,600	7,200
5%	1990	10,000	10,600
5%	1991	8,000	8,000
4-7/8%	1995	16,000	16,000
5.45%	1996	15,000	15,000
6%	1997	15,000	15,000
6-1/2%	1998	20,000	20,000
8%	1999	35,000	35,000
9-1/8%	1999	15,000	15,000
8%	2001	35,000	35,000
7-1/4%	2002	30,000	30,000
9-1/8%	2006	50,000	50,000
8.40%	2006	50,000	50,000
8-3/8%	2007	30,000	30,000
8.90%	2008	30,000	30,000
10-1/8%	2009	35,000	35,000
9-7/8%	2009	50,000	50,000
12.15%	2010	35,890	35,890
8-3/4%	2017	100,000	100,000
Pollution Control Facilities Revenue Bonds:			
5.95% Series, due 2003		7,105	7,180
Fairfield County Series 1984, due 2014 (variable rate — 6.30% through 8/31/90)		57,000	57,000
Richland County, due 2014 (variable rate — 6.30% through 8/31/90)		5,210	5,210
Fairfield County Series 1986, due 2014 (variable rate — 6.30% through 8/31/90)		1,100	1,100
Colleton and Dorchester Counties Series 1987, due 2014 (variable rate — 6.375% through 8/31/90)		4,365	4,365
Capitalized Lease Obligations, due 1991-1997 (various rates between 5-3/4% and 10%)		7,909	10,176
Term Loan, due 1991 (variable rate — 8.8675% at 12/31/89)		75,000	—
South Carolina Generating Company, Inc.:			
Berkeley County Pollution Control Facilities Revenue Bonds, due 2014 (variable rate — 6.25% through 9/30/90)		35,850	35,850
Bank Note, due 1991 (variable rate — 9.00% at 12/31/89)		69,500	72,500
South Carolina Fuel Company, Inc.:			
Nuclear fuel liability		60,522	59,210
Fossil fuel liability		16,554	24,024
South Carolina Pipeline Corporation:			
Direct billing obligations under supplier take-or-pay arrangements, due 1989-1993 (various rates between 8.61% and 8.65%)		—	48,503
Note, 9.27%, due 1990-1994		34,000	—
South Carolina Real Estate Development Company, Inc.:			
Notes, due 1989-1991 (at various rates)		487	520
Bank Loan, due 1992 (variable rate — 10.50% at 12/31/89)		3,159	—
Bank Loan, due 1992 (variable rate — 10.50% at 12/31/89)		4,841	—
SCANA Corporation:			
Bank Note, 8.32%, due 1989		—	40,000
Bank Note, 9.825% due 1991		70,000	—
Total		1,039,092	952,728
Less — Long-term debt maturities, including sinking fund requirements		33,687	65,543
Unamortized discount		1,433	1,506
Total Long-Term Debt, Net		1,003,972	885,679
Total Capitalization		\$2,016,272	\$1,884,679
		50%	47%
		100%	100%

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

A. Organization and Principles of Consolidation

SCANA Corporation (the Company), a South Carolina corporation, is a public utility holding company within the meaning of the Public Utility Holding Company Act of 1935, but is exempt from registration under such Act.

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

Regulated utilities

South Carolina Electric & Gas Company (SCE&G)
South Carolina Generating Company, Inc. (GENCO)
South Carolina Fuel Company, Inc.
South Carolina Pipeline Corporation (Pipeline Corporation) which wholly-owns Carolina Exploration Corporation

Non-regulated businesses

Carotane, Inc.
MPX Systems, Inc.
Primesouth, Inc.
SCANA Capital Resources, Inc.
SCANA Software Services, Inc.
South Carolina Real Estate Development Company, Inc.
SCANA Hydrocarbons, Inc.

Investments in joint ventures in real estate and an interstate telecommunications carrier are reported using the equity method of accounting. Significant intercompany balances and transactions have been eliminated in consolidation.

B. System of Accounts

The accounting records of the Company's regulated subsidiaries are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and as adopted by The Public Service Commission of South Carolina (PSC).

C. 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 (PSA), a public corporation of the State of South Carolina, 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. The total cost of the construction of Summer Station upon completion in 1983 was approximately \$1.3 billion, or about \$1,461 per kilowatt, of which SCE&G's share was approximately \$877 million. Accumulated depreciation associated with SCE&G's share of Summer Station was approximately \$198.5 million and \$164.5 million as of December 31, 1989 and 1988, respectively. SCE&G's share of the direct expenses associated with operating Summer Station is included in the Company's "Other operation" and "Maintenance" expenses.

D. Allowance for Funds Used During Construction

Allowance for funds used during construction (AFC), a noncash item, reflects the period cost of capital devoted to plant under construction. This accounting practice results in the inclusion, as a component of construction cost (construction work in progress), of the costs of debt and equity capital dedicated to construction investment. AFC will ultimately be 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 (computed on an after-tax basis) of 8.8%, 7.8% and 8.4% for 1989, 1988 and 1987, 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.

E. Deferred Return on Plant Investment

Commencing July 1, 1987, as approved by a PSC order on that date, SCE&G ceased the deferral of carrying costs associated with 400 MW of electric generating capacity previously removed from rate base and began amortizing the accumulated deferred carrying costs on a straight-line basis over a ten-year period (see Note 2H). Amortization of deferred carrying costs, included in "Depreciation and amortization", was approximately \$4.2 million for 1989 and 1988 and \$2.1 million for 1987.

F. Depreciation and Amortization

Provisions for depreciation are recorded using the straight-line method for financial reporting purposes and are based on the estimated service lives of the various classes of property (see Note 2B). The composite weighted-average depreciation rates were as follows:

	1989	1988	1987
SCE&G	3.32%	3.29%	3.34%
GENCO	2.65%	2.65%	2.67%
Pipeline Corporation	2.64%	2.65%	2.43%
Aggregate of Above	3.25%	3.23%	3.27%

Nuclear fuel amortization, which is included in "Fuel used in electric generation" and is 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 United States Department of Energy 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 forty-year period using the straight-line method.

G. Nuclear Decommissioning

On January 3, 1990 the Nuclear Regulatory Commission (NRC) approved SCE&G's request for an extension of its operating license for Summer Station. Decommissioning of Summer Station is presently projected to commence in the year 2022. The expenditures (on a before-tax basis) related to SCE&G's share of decommissioning activities are currently estimated to be approximately \$337 million (in 2022 dollars, assuming a 5% annual rate of inflation). SCE&G is providing for estimated decommissioning costs of its share of Summer Station over the life of Summer Station and has established a reserve for this purpose. SCE&G is presently funding the reserve with amounts collected through electric rates (approximately \$1.1 million annually for 1989 and 1988 and \$0.8 million for 1987, net of taxes), and intends for the fund, including earnings, to provide for all eventual decommissioning expenditures on an after-tax basis.

The NRC has published final regulations on decommissioning of nuclear facilities. These regulations address decommissioning planning needs, timing, funding methods, and environmental review requirements and require licensed electric utilities to submit a decommissioning plan by July 1990 certifying financial assurance for decommissioning costs. SCE&G plans to establish in 1990 a trust fund maintained by an independent trustee that complies with the financial assurance requirements of the NRC rule.

H. Income Taxes

The Company and its subsidiaries file consolidated Federal and State income tax returns. Income taxes are allocated to all subsidiaries based on their contributions to consolidated taxable income.

Because tax laws and financial accounting standards differ in their recognition and measurement of economic events, differences arise between (1) the amount of taxable income and reported pretax financial income for a year and (2) the tax bases of assets or liabilities and their reported amounts in the financial statements. Accordingly, the Company provides deferred income taxes for substantially all timing differences, principally accelerated tax depreciation, except for certain basis differences arising prior to 1982. Deferred income tax provisions are included in income currently with corresponding credits or charges to accumulated deferred income taxes.

Investment tax credits were generally deferred and are being amortized over the depreciable lives of the respective assets.

In December 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes." This Statement requires the use of the "liability method" whereby a deferred tax liability or asset would be recognized for deferred tax consequences of all temporary differences. The Statement (1) requires that a deferred tax liability or asset be adjusted for the effect of a change in tax law or rates, (2) prohibits net-of-tax accounting and reporting, and (3) requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of AFC. The Company does not anticipate that application of this Statement will have a significant impact on results of operations. The balance sheet will require certain reclassifications to comply with the provisions of this Statement. The requirements of the Statement must be adopted by the Company no later than January 1, 1992.

I. Pension Expense

The Company has a noncontributory defined benefit plan covering substantially all employees. Benefits are based on years of accredited service and the employee's average annual base earnings received during the last three years of employment. The Company's policy has been to fund pension costs accrued to the extent permitted by the applicable Federal income tax regulations as determined by an independent actuary.

Net periodic pension cost, as determined by an independent actuary, for the years ended December 31, 1989, 1988 and 1987 included the following components:

Year Ended December 31,	1989	1988	1987
	(Thousands of Dollars)		
Service cost-benefits earned during the period	\$ 5,233	\$ 5,027	\$ 6,057
Interest cost on projected benefit obligation	16,347	14,920	14,204
Adjustments:			
Return on plan assets	(41,284)	(21,463)	(5,058)
Net amortization and deferral	29,851	10,654	(5,560)
Net periodic pension cost	\$ 10,147	\$ 9,138	\$ 9,643

The following table sets forth the funded status of the plan, as determined by an independent actuary, at December 31, 1989 and 1988.

Year Ended December 31,	1989	1988
	(Thousands of Dollars)	
Actuarial Present Value of Benefit Obligations:		
Vested benefit obligation	\$169,472	\$150,069
Non-vested benefit obligation	3,777	9,392
Accumulated benefit obligation	173,249	159,461
Projected benefit obligation	213,790	196,313
Plan assets at fair value	226,306	187,753
Plan assets greater than (less than) projected benefit obligation	12,516	(8,560)
Unrecognized net transition liability	17,542	19,722
Unrecognized prior service costs	10,646	3,496
Unrecognized net gain	(44,686)	(16,731)
Pension liability recognized in Consolidated Balance Sheets	\$ (3,982)	\$ (2,073)

The accumulated benefit obligation is based on the plan's benefit formulas without considering expected future salary increases. The following table sets forth the assumptions used in the amounts shown above.

	1989	1988	1987
Annual discount rate used to determine benefit obligations	8.0%	8.0%	8.0%
Expected long-term rate of return on plan assets	8.0%	8.0%	8.0%
Discount rate used in determining pension cost	8.0%	8.0%	7.5%
Assumed annual rate of future salary increases for projected benefit obligation	5.5%	5.5%	5.5%

The unrecognized net transition liability represents the effect of adopting Statement of Financial Accounting Standards No. 87. Such obligation (approximately \$23.9 million at January 1, 1987) represents the difference between the fair value of the plan assets and the projected benefit obligation. This liability is not recognized in the Company's consolidated financial statements but is being amortized as a component of pension cost on a straight-line basis over the average remaining service period (19.6 years as of January 1, 1987) of employees expected to receive benefits under the plan, except for approximately \$7.5 million of prior service costs related to an early retirement program being amortized over the six-year average remaining service life of employees in the program.

In 1989 the Company completed an early retirement incentive program, which increased pension liability by \$6.4 million. Of this amount, \$1.1 million was expensed in 1989 and the remaining balance is being amortized over eight years, the average remaining service life of the employees participating in the program.

In addition to pension benefits, the Company provides certain health care, supplemental retirement and life insurance benefits to active and retired employees. Such benefits are generally charged to expense when claims and premiums are paid. The annual costs of providing such benefits to retired employees are not significant.

J. Revenue Recognition

Customers' meters are read and bills are rendered on a monthly cycle basis. Base revenue is recorded during the accounting period in which the meters are read.

Fuel costs for electric generation are collected through the fuel component in retail electric rates. The fuel component contained in electric rates is established by the PSC during semiannual fuel cost hearings. Any difference between actual fuel cost and that contained in the fuel component is deferred and included when determining the fuel cost component during the next semiannual fuel cost hearing. At December 31, 1989 and 1988, SCE&G had under-collected approximately \$9.0 million and \$2.6 million, respectively, through the electric fuel clause component, which are included in "Deferred Debits - Other."

Customers subject to the gas cost adjustment clause are billed based on a fixed cost of gas determined by the PSC during semiannual gas cost recovery hearings. Any difference between actual fuel cost and that contained in the fuel component is deferred and included when establishing gas costs during the next semiannual gas cost recovery hearing. At December 31, 1989 and 1988, SCE&G had under-collected approximately \$6.3 million and \$2.9 million, respectively, through the gas cost recovery procedure, which are included in "Deferred Debits - Other."

K. Debt Premium, Discount and Expense

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.

L. Statements of Cash Flows

The Company considers temporary cash investments having 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. Reclassifications

Certain amounts from prior years have been reclassified to conform with the 1989 presentation.

2. Rate Matters:

A. The Company sustained significant damage to its electric transmission, distribution and other facilities as a result of Hurricane Hugo on September 21-22, 1989. Total costs attributed to the replacement and repair of damaged plant were approximately \$56 million. Of this amount \$13.4 million will be recovered through insurance and an additional \$19.3 million associated with capital expenditures has been included in "Utility Plant." For electric costs not capitalized or covered by insurance (\$22 million), SCE&G received an order from the PSC on February 6, 1990 approving the offset in the 1989 Consolidated Statement of Income of \$13.8 million of storm-related costs, after income tax benefits of \$8.2 million, through the application of credits carried on its books as a result of a 1980 settlement of certain litigation. The remaining non-electric storm costs of \$1.3 million have been included in 1989 operating expenses. The treatment prescribed by the PSC did not require any rate increase for SCE&G's customers.

B. On July 3, 1989 the PSC granted SCE&G approximately \$21.9 million of a requested \$27.2 million annual increase in retail electric revenues. The PSC order granted an allowed return on common equity of 13.25%. On January 3, 1990 the NRC extended Summer Station's operating license from March 21, 2013 to August 6, 2022 (see Note 1G). In compliance with the July 3, 1989 PSC order, SCE&G subsequently reduced its retail electric rates by approximately \$7.7 million to reflect lower depreciation expense resulting from the extension of the plant's license. The effect of such reduction is to decrease the additional annual revenues allowed in the July 3, 1989 order from \$21.9 million to

\$14.2 million, or an annual increase of 1.9%. Consequently, there will be no effect on future net income as a result of the January adjustments. The Consumer Advocate has appealed the electric rate order to the South Carolina Circuit Court. While the outcome of this matter is uncertain, the Company believes that any significant change in the rate order is unlikely.

C. Effective July 3, 1989 the FERC approved an \$893,000, or 2.9%, annual increase in SCE&G's wholesale electric rate. On January 5, 1990 SCE&G filed with the FERC for approval to reduce its wholesale electric rate to correspond with the retail electric rate reduction pursuant to the July 3, 1989 PSC order. (See Note 2B)

D. On November 28, 1989 the PSC granted SCE&G an increase in firm retail natural gas rates that are designed to increase annual revenues by \$10.1 million. This represents approximately 89.5% of SCE&G's request for an increase of approximately \$11.3 million. In its order, the PSC authorized a 12.75% return on common equity. The new rates became effective on November 30, 1989. On January 8, 1990 the PSC denied the Consumer Advocate's petition for reconsideration and rehearing of the gas rate order. The Consumer Advocate has 30 days to appeal the decision to the South Carolina Circuit Court.

E. The Consumer Advocate initiated a proceeding at the PSC seeking to reduce Pipeline Corporation's rates. On August 11, 1989 Pipeline Corporation filed an application with the PSC seeking a rate increase for sale for resale customers. On February 6, 1990 Pipeline Corporation and the Consumer Advocate executed an agreement by which each party will withdraw its request to the PSC for a change in Pipeline Corporation's rates. The agreement requires that Pipeline Corporation request approval from the PSC for a \$300,000 annual reduction in rates for sale for resale customers. Pipeline Corporation and the Consumer Advocate have agreed to not request a change in the agreed rates through March 31, 1993, unless Pipeline Corporation's rates for sales of gas to interruptible industrial customers are set by the PSC using a cost of service methodology.

F. Pipeline Corporation's two principal gas suppliers have incurred liabilities to gas producers under "take-or-pay" provisions of gas supply contracts. The FERC, pursuant to its Order No. 500, has approved settlements allowing the interstate pipeline suppliers to recover portions of such "take-or-pay" liabilities from their customers, including Pipeline Corporation, through volumetric surcharges in gas rates and through direct billings.

Pipeline Corporation's future gas purchases over the next four years will include volumetric surcharges of approximately \$.0775 per dekatherm and \$.131 per dekatherm for gas deliveries from Southern Natural Gas Company and Transcontinental Gas Pipe Line Corporation, respectively.

In May 1989 the PSC approved a volumetric and direct billing method for Pipeline Corporation to recover these costs from its customers. At December 31, 1989 and 1988, approximately \$27.4 and \$50.0 million, respectively, of direct billings to Pipeline Corporation from its suppliers remain to be recovered from Pipeline Corporation's customers and are included in "Deferred Debits - Other." The Consumer Advocate and two other intervenors have appealed to the South Carolina Circuit Court the PSC's order regarding the pass through of these costs. If the challenge were to be successful, it would only affect the timing of the recovery of the costs by Pipeline Corporation. (See Note 3)

G. As a result of a Petition Requesting Investigation filed by intervenors during the 1989 electric rate case (see Note 2B), the PSC issued an Order Granting Investigation on April 12, 1989. The investigation relates to the propriety of financial relationships between SCE&G and its affiliates. The Company believes that the outcome of this investigation will have no material effect on its operations.

H. In an order dated July 1, 1987 the PSC approved SCE&G's January 30, 1987 request to restore to its rate base, effective July 1, 1987, the net production investment (approximately \$102.5 million at July 1, 1987) associated with 400 MW of electric generating capacity

previously removed by the PSC in its order dated March 2, 1984. The 1987 order also approved SCE&G's proposal to include in rate base the associated accumulated deferred carrying costs (approximately \$42.5 million at July 1, 1987) and to begin amortizing these costs over a ten-year period commencing July 1, 1987. The July 1, 1987 order was appealed by the Consumer Advocate to the South Carolina Supreme Court, which heard the case in March 1989. On May 30, 1989 the South Carolina Supreme Court issued an order remanding the case to the PSC for factual finding on the prudence of the derating of 69 MW of SCE&G's total production capacity and the effect, if any, of the deratings on depreciation and carrying cost issues. Pursuant to the South Carolina Supreme Court's directive on remand, the PSC issued an order reaffirming its decision and stating its findings and conclusions concerning the 69 MW derating issue. The Consumer Advocate has appealed the order to the South Carolina Circuit Court and the appeal has been consolidated with the appeal of the electric rate order described in Note 2B above. While the outcome of this matter is uncertain, the Company believes that any significant change in the PSC's order issued on remand is unlikely.

I. On January 15, 1987 the PSC ordered SCE&G to reduce its retail electric rates approximately \$25 million annually, or 3%, due to anticipated income tax savings associated with the Tax Reform Act of 1986 (the Tax Act). Rates implementing this reduction were placed in effect with the first billing cycle in February 1987.

On December 30, 1987 the PSC ordered a reduction in SCE&G's retail electric rates, effective January 1, 1988, of \$27.6 million annually, or 3.7%. This reduction was primarily due to the additional tax savings resulting from the Tax Act and a change in the method of recovery of municipal franchise taxes. The order also reduced SCE&G's rate of return on common equity from 14.25% to 13.25%.

J. On December 1, 1987 the PSC issued an order granting SCE&G approximately \$4.3 million of a requested \$6.7 million annual increase in retail natural gas rates. The new rates were placed into effect December 1, 1987.

3. Long-Term Debt:

SCE&G's annual tender Pollution Control Facilities Revenue Bonds (which do not include the 5.95% Series, due 2003) are secured by like principal amounts of its First and Refunding Mortgage Bonds.

GENCO's annual tender Pollution Control Facilities Revenue Bonds are secured by an irrevocable letter of credit expiring in 1991.

These annual tender Bonds bear interest at a rate, not to exceed 15% per annum, (1) set between 80% and 120% of an index rate based on one-year yield evaluations of comparable tax-exempt obligations, or (2) equal to 65% of one-year yield evaluations of U. S. Treasury Bonds at par. The interest rate is adjusted annually but may become fixed until maturity. These Bonds also provide that the holders may require the Bonds to be purchased at par upon each annual adjustment of the interest rate or at the time the interest rate becomes fixed until maturity. If the Bonds are tendered by the holders, the Company intends to reoffer the Bonds to the public. Due to the irrevocable letter of credit and provisions of the Bond Indentures, which permit the Company to purchase the Bonds in lieu of redemption and resell them, and to substitute other security arrangements, the Bonds are classified as long-term debt.

The annual amounts of long-term debt maturities, including the amounts due under nuclear and fossil fuel agreements (see Note 4), and sinking fund requirements for the years 1990 through 1994 are summarized as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1990	\$ 33,687	1993	\$18,224
1991	238,562	1994	18,305
1992	103,466		

Approximately \$9.4 million of the current portion of long-term debt for 1990 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.

In January 1989 SCE&G arranged for a bank loan due February 1, 1991 in the principal amount of \$75 million. The interest rate is determined quarterly and is based upon the three-month LIBOR rate plus 18 basis points. The loan is secured by the pledge of a like amount of SCE&G's First and Refunding Mortgage Bonds, 20% Series due February 1, 1991. The proceeds of the bank loan were used to refund a like amount of commercial paper.

The Company has in effect a shelf registration for the issuance from time to time of an aggregate \$200 million in unsecured medium-term debt securities. The proceeds of any sales of these securities may be used to fund additional business activities in non-utility subsidiaries, to reduce short-term debt incurred in connection therewith or for general corporate purposes. In addition, SCE&G has in effect a shelf registration statement under which it can issue an additional \$100 million of First and Refunding Mortgage Bonds which may be used to refund debt or for other corporate purposes.

On November 9, 1989 Pipeline Corporation arranged for a \$34 million note due November 15, 1994. The interest is payable quarterly at a rate of 9.27% per annum. Principal installments of \$2 million are payable quarterly beginning November 15, 1990. The proceeds of the note were used to repay a like amount of indebtedness related to Pipeline Corporation's take-or-pay liabilities (see Note 2F).

Substantially all utility plant and fuel inventories are pledged as collateral in connection with long-term debt.

4. Fuel Financings:

Nuclear and fossil fuel inventories are financed through the issuance of short-term commercial paper. These short-term borrowings are supported by irrevocable bank lines of credit which expire in 1992. Accordingly, the amounts outstanding have been included in long-term debt. The bank lines provide for maximum amounts (\$75 million related to nuclear fuel and \$25 million related to fossil fuel) that may be outstanding at any time.

At December 31, 1989 the amount outstanding for nuclear fuel was approximately \$60.5 million at a weighted average interest rate of 8.54% and the amount outstanding for fossil fuel was approximately \$16.6 million at a weighted average interest rate of 8.59%. At December 31, 1988 the amount outstanding for nuclear fuel was approximately \$59.2 million at a weighted average interest rate of 9.44% and the amount outstanding for fossil fuel was approximately \$24.0 million at a weighted average interest rate of 9.33%.

5. Stockholders' Investment (Including Preferred Stock Not Subject to Purchase or Sinking Funds):

The changes in "Common stock", without par value, during 1989, 1988 and 1987 are summarized as follows:

	Number of Shares	Thousands of Dollars
Balance January 1, 1987	40,296,147	\$574,242
Other		258
Balance December 31, 1987	40,296,147	574,500
Other		72
Balance December 31, 1988	40,296,147	\$574,572
Other		(989)
Balance December 31, 1989	40,296,147	\$573,583

The Company's employee stock benefit plans' trustee and agent for its Dividend Reinvestment and Stock Purchase Plan purchase previously issued and outstanding shares of the Company's common stock in the open market.

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 indentures underlying certain of its bond issues contain provisions that may limit the payment of cash dividends on common stock. In addition, with respect to hydroelectric projects, the Federal Power Act may require the appropriation of a portion of the earnings therefrom. At December 31, 1989, approximately \$5.9 million of retained earnings were restricted as to payment of cash dividends on common stock.

Cash dividends on common stock were declared at an annual rate per share of \$2.46, \$2.40 and \$2.32 for 1989, 1988 and 1987, respectively.

6. Preferred Stock (Subject to Purchase or Sinking Funds):

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.

At any time when dividends have not been paid in full or declared and set apart for payment on all series of preferred stock, SCE&G may not redeem any shares of preferred stock (unless all shares of preferred stock then outstanding are redeemed) or purchase or otherwise acquire for value any shares of preferred stock except in accordance with an offer made to all holders of preferred stock. SCE&G may not redeem any shares of preferred stock (unless all shares of preferred stock then outstanding are redeemed) or purchase or otherwise acquire for value any shares of preferred stock (except out of monies set aside as purchase funds or sinking funds for one or more series of preferred stock) at any time when it is in default under the provisions of the purchase fund or sinking fund for any series of preferred stock.

The aggregate annual amounts of purchase fund or sinking fund requirements for preferred stock for the years 1990 through 1994 are summarized as follows:

Year	Amount	Year	Amount
(Thousands of Dollars)			
1990	\$1,939	1993	\$2,515
1991	2,515	1994	2,515
1992	2,515		

The changes in "Preferred Stock (Subject to Purchase or Sinking Funds)" during 1989, 1988 and 1987 are summarized as follows:

	Number of Shares	Thousands of Dollars
Balance January 1, 1987	1,824,858	\$117,542
Shares Redeemed:		
\$100 par value	(263,994)	(26,399)
\$50 par value	(130,211)	(6,511)
Balance December 31, 1987	1,430,653	84,632
Shares Redeemed:		
\$100 par value	(7,390)	(739)
\$50 par value	(132,980)	(6,649)
Balance December 31, 1988	1,290,283	77,244
Shares Redeemed:		
\$100 par value	(5,692)	(569)
\$50 par value	(172,732)	(8,637)
Balance December 31, 1989	1,111,859	\$ 68,038

7. Income Taxes:

Total income tax expense for 1989, 1988 and 1987 is as follows:

	1989	1988	1987
(Thousands of Dollars)			
Current income taxes:			
Federal	\$21,810	\$33,630	\$66,850
State	2,034	5,297	10,117
Total current taxes	23,844	38,927	76,967
Deferred taxes, net:			
Federal	28,595	26,829	16,361
State	6,164	5,417	4,266
Total deferred taxes	34,759	32,246	20,627
Investment tax credits:			
Deferred	405	1,675	2,821
Amortization of amounts deferred (credit)	(4,686)	(5,220)	(5,410)
Other	—	—	241
Total investment tax credits	(4,281)	(3,545)	(2,348)
Total income tax expense	\$54,322	\$67,628	\$95,246

Current income taxes noted above reflects approximately \$8.2 million of income tax benefits related to storm damage costs which are included as a reduction in maintenance expense in the Consolidated Statements of Income (see Note 2A).

Total income taxes differ from amounts computed by applying the statutory Federal income tax rate of 34% for 1989 and 1988, and 40% for 1987 to pre-tax income as follows:

	1989	1988	1987
(Thousands of Dollars)			
Net income	\$122,625	\$120,746	\$128,865
Total income tax expense:			
Charged to operating expenses	65,535	69,030	95,051
Charged to other income	(3,013)	(1,402)	195
Tax benefit of storm damage costs	(8,200)	—	—
Preferred stock dividends	7,263	8,014	10,437
Total pre-tax income	\$184,210	\$196,388	\$234,548
Income taxes on above at statutory Federal income tax rate	\$ 62,631	\$ 66,772	\$ 93,819
Increases (decreases) attributable to:			
Allowance for funds used during construction (excluding nuclear fuel)	(746)	(619)	(825)
Deferred return on plant investment, net of amortization	1,444	1,444	(1,575)
Depreciation differences	(859)	2,028	4,163
Amortization of investment tax credits	(4,686)	(5,220)	(5,410)
Amortization of litigation settlement-related credits	(4,686)	—	—
State income taxes (less Federal income tax effect)	5,411	7,071	8,630
Deferred income tax flowback at higher rates than statutory	(3,353)	(2,387)	(3,543)
Other differences, net	(834)	(1,461)	(13)
Total income tax expense	\$ 54,322	\$ 67,628	\$ 95,246

"Total deferred taxes" results from timing differences in recognition of the following items:

	1989	1988	1987
<i>(Thousands of Dollars)</i>			
Charged to expenses:			
Accelerated depreciation and amortization	\$23,802	\$30,384	\$31,543
Deferred fuel accounting	4,387	3,950	(2,041)
Other, net	6,570	(2,088)	(8,875)
Total deferred taxes	\$34,759	\$32,246	\$20,627

At December 31, 1989 the cumulative net amount of income tax timing differences on which deferred taxes have not been provided totaled approximately \$79 million. (See Note 1H)

The Internal Revenue Service has examined and closed consolidated Federal income tax returns of the Company through 1984.

8. Short-Term Borrowings:

The Company pays fees to banks as compensation for its lines of credit. Short-term borrowings are for 270 days or less. Details of lines of credit and short-term borrowings at December 31, 1989, 1988 and 1987 and for the years then ended are as follows:

	<i>December 31,</i>		
	1989	1988	1987
<i>(Dollars in Millions)</i>			
Lines of credit at year-end	\$ 90.3	\$90.2	\$ 90.2
Short-term borrowings (including commercial paper) during the year:			
Maximum outstanding	\$113.3	\$98.8	\$133.1
Average outstanding	\$ 44.6	\$55.6	\$ 39.1
Weighted average daily interest rates:			
Bank loans	9.48%	7.45%	7.07%
Commercial paper	9.18%	7.73%	6.65%
Unsecured promissory note	8.89%	8.89%	—
Short-term borrowings outstanding at year-end:			
Bank loans	—	\$ 2.25	\$ 2.25
Weighted average interest rate	—	8.55%	8.76%
Commercial paper	\$ 37.6	\$66.5	\$ 19.2
Weighted average interest rate	8.73%	9.40%	8.30%
Unsecured promissory note	—	\$30.0	—
Weighted average interest rate	—	8.89%	—

9. Commitments and Contingencies:

Nuclear Insurance

The Price-Anderson Indemnification Act (the Act), which deals with SCE&G's public liability for a nuclear incident, was amended in 1988 to increase the liability limit for third-party claims associated with any nuclear incident to \$7.8 billion currently. Each reactor licensee is currently liable for up to \$66.2 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 \$44 million per incident, but not more than \$6.7 million per year.

SCE&G currently maintains policies (for itself and on behalf of the PSA) with Nuclear Electric Insurance Limited (NEIL) and American Nuclear Insurers (ANI) providing combined property and decontamination insurance coverage of \$975 million for any losses in excess of \$500 million pursuant to existing primary coverages (with ANI) on Summer Station. SCE&G pays annual premiums and, in addition, could be assessed a retroactive premium not to exceed 7 1/2 times its annual premium in the event of property damage loss to any nuclear generating facilities covered by NEIL. Based on the current annual premium, this retroactive premium would be approximately \$5.1 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 materially adverse impact on the Company's financial position.

10. Segment of Business Information:

Segment information at December 31, 1989, 1988 and 1987 and for the years then ended is as follows:

	<i>1989</i>			
	Electric	Gas	Transit	Total
<i>(Thousands of Dollars)</i>				
Operating revenues	\$ 822,112	\$297,069	\$ 4,102	\$1,123,283
Operating expenses, excluding depreciation and amortization	538,002	260,974	8,827	807,803
Depreciation and amortization	90,286	11,655	355	102,296
Total operating expenses	628,288	272,629	9,182	910,099
Operating income (loss)	\$ 193,824	\$ 24,440	\$(5,080)	213,184
Add — Other income, net				7,125
Less — Interest charges				90,421
— Preferred stock dividends				7,263
Net income				\$ 122,625
Capital expenditures:				
Identifiable	\$ 154,356	\$ 22,012	\$ 142	\$ 176,510
Utilized for overall Company operations				5,035
Total				\$ 181,545
Identifiable assets at December 31, 1989:				
Utility plant, net	\$2,149,226	\$249,062	\$ 1,421	\$2,399,709
Inventories	77,353	7,182	450	84,985
Total	\$2,226,579	\$256,244	\$ 1,871	\$2,484,694
Assets utilized for overall Company operations				499,813
Total assets				\$2,984,507

	1986			
	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	\$ 787,956	\$291,308	\$ 4,060	\$1,083,324
Operating expenses, excluding depreciation and amortization	515,081	257,500	8,684	781,265
Depreciation and amortization	86,162	10,843	384	97,389
Total operating expenses	601,243	268,343	9,068	878,654
Operating income (loss)	\$ 186,713	\$ 22,965	\$(5,008)	204,670
Add - Other income, net				4,147
Less - Interest charges				80,057
- Preferred stock dividends				8,014
Net income				\$ 120,746
Capital expenditures:				
Identifiable	\$ 148,599	\$ 26,027	\$ 230	\$ 174,856
Utilized for overall Company operations				8,034
Total				\$ 182,890
Identifiable assets at December 31, 1988:				
Utility plant, net	\$2,098,361	\$239,861	\$ 1,631	\$2,339,853
Inventories	73,629	7,285	440	81,354
Total	\$2,171,990	\$247,146	\$ 2,071	\$2,421,207
Assets utilized for overall Company operations				466,072
Total assets				\$2,887,279

	1987			
	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	\$ 806,826	\$305,934	\$ 3,212	\$1,115,972
Operating expenses, excluding depreciation and amortization	539,604	271,644	7,756	819,004
Depreciation and amortization	82,758	9,519	306	92,583
Total operating expenses	622,362	281,163	8,062	911,587
Operating income (loss)	\$ 184,464	\$ 24,771	\$(4,850)	204,385
Add - Other income, net				6,395
Less - Interest charges				71,478
- Preferred stock dividends				10,437
Net income				\$ 128,865
Capital expenditures:				
Identifiable	\$ 146,281	\$ 21,034	\$ 333	\$ 167,648
Utilized for overall Company operations				5,670
Total				\$ 173,318
Identifiable assets at December 31, 1987:				
Utility plant, net	\$2,045,819	\$225,503	\$ 1,783	\$2,273,105
Inventories	74,977	6,859	374	82,210
Total	\$2,120,796	\$232,362	\$ 2,157	\$2,355,315
Assets utilized for overall Company operations				358,942
Total assets				\$2,714,257

11. Quarterly Financial Data (Unaudited):

	1989				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	\$285,814	\$252,549	\$300,310	\$284,601	\$1,123,283
Operating income (000)	55,064	44,023	69,076	45,021	213,184
Net income (000)	33,909	21,004	45,430	22,282	122,625
Earnings per share of common stock as reported	.84	.52	1.13	.55	3.04

	1988				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	\$302,235	\$226,910	\$284,062	\$270,117	\$1,083,324
Operating income (000)	58,831	37,396	63,879	44,564	204,670
Net income (000)	38,928	17,371	42,744	21,703	120,746
Earnings per share of common stock as reported	.97	.43	1.06	.54	3.00

Common Stock Information

	1989				1988			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Price Range: (a)								
High	35-3/4	35-1/2	33-7/8	31-3/4	32-1/4	32-5/8	33-5/8	33-1/8
Low	32-1/4	32-3/4	30	29-5/8	30-3/8	29-3/4	30	28-1/2

Dividends Per Share:

1989	Amount	Date Declared	Date Paid
First Quarter	\$.615	February 22, 1989	April 1, 1989
Second Quarter	.615	April 26, 1989	July 1, 1989
Third Quarter	.615	August 23, 1989	October 1, 1989
Fourth Quarter	.615	October 25, 1989	January 1, 1990
1988	Amount	Date Declared	Date Paid
First Quarter	\$.60	February 24, 1988	April 1, 1988
Second Quarter	.60	April 27, 1988	July 1, 1988
Third Quarter	.60	August 24, 1988	October 1, 1988
Fourth Quarter	.60	October 26, 1988	January 1, 1989

	December 31,	
	1989	1988
Number of common shares outstanding	40,296,147	40,296,147
Number of common stockholders of record	45,650	47,944

(a) principal market for SCANA common stock is the New York Stock Exchange (stock symbol-SCG).

(c) As reported on the New York Stock Exchange Composite Listing.

Management's Discussion & Analysis of Financial Condition & Results of Operation

Liquidity And Capital Resources

The capital needs of the Company arise primarily from the capital requirements of SCE&G's operations and construction program. Because rates for regulated services are based on historical cost amounts, to the extent inflation occurs and rates are not appropriately adjusted on a timely basis, the Company's regulated subsidiaries may not recover the costs of providing services. Therefore, the Company's future financial position and results of operations could be impacted by future inflationary trends.

As a result of continuing customer growth, the Company believes added electric generating capacity will be necessary during the next five years. Although the source of this additional generating capacity has not been determined, the current strategy is to install gas turbines to meet increases in peak loads. These units have the lowest capital cost to install and will support customer needs while the Company assesses the sources and timing of additional capacity, including base load generation.

The ability of the Company's regulated subsidiaries to replace existing plant investment, as well as to expand to meet future demand, will depend upon their ability to attract the necessary financial capital on reasonable terms. The ability to attract such capital will depend upon the regulated subsidiaries' ability to obtain adequate and timely rate relief.

On July 3, 1989 the PSC granted SCE&G approximately \$21.9 million of a requested \$27.2 million annual increase in retail electric revenues. The PSC order granted an allowed return on common equity of 13.25%. On January 3, 1990, in compliance with the July 3, 1989 PSC order, SCE&G subsequently reduced its retail electric rates by approximately \$7.7 million to reflect lower depreciation expense resulting from the extension of Summer Station's license. The effect of such reduction is to decrease the additional annual revenues allowed in the July 3, 1989 order from \$21.9 million to \$14.2 million, or an annual increase of 1.9% (see Note 2B of Notes to Consolidated Financial Statements).

On November 28, 1989 the PSC granted SCE&G an increase in firm retail natural gas rates that are designed to increase annual revenues by \$10.1 million. This represents approximately 89.5% of SCE&G's request for an increase of approximately \$11.3 million. In its order, the PSC authorized a 12.75% return on common equity. The new rates became effective on November 30, 1989. On January 8, 1990 the PSC denied the Consumer Advocate's petition for reconsideration and rehearing of the gas rate order. The Consumer Advocate has 30 days to appeal the decision to the South Carolina Circuit Court.

The Company sustained significant damage to its electric transmission, distribution and other facilities as a result of Hurricane Hugo on September 21-22, 1989. Total costs attributed to the replacement and repair of damaged plant were approximately \$56 million. Of this amount \$13.4 million will be recovered through insurance and an additional \$19.3 million associated with capital expenditures has been included in "Utility Plant." For electric costs not capitalized or covered by insurance (\$22 million), SCE&G received an order from the PSC on February 6, 1990 approving the offset in the 1989 Consolidated Statement of Income of \$13.8 million of storm-related costs, after income tax benefits of \$8.2 million, through the application of credits carried on its books as a result of a 1980 settlement of certain litigation. The remaining non-electric storm costs of \$1.3 million have been included in 1989 operating expenses. The treatment prescribed by the PSC did not require any rate increase for SCE&G's customers.

The estimated primary cash requirements for 1990, excluding requirements for fuel liabilities and short-term borrowings, and the actual primary cash requirements for 1989 are as follows:

	1990	1989
	(Thousands of Dollars)	
Construction expenditures, excluding allowance for funds used during construction (AFC)	\$206,460	\$159,687
Nuclear fuel expenditures	7,755	15,663
Maturing obligations, redemptions and sinking and purchase fund requirements	26,218	168,861
Total	\$240,433	\$344,211

Approximately 60.7% of total cash requirements (including dividends) was provided from internal sources in 1989 as compared to 73.4% in 1988. During 1989, substantially all funds for expenditures associated with damages from Hurricane Hugo were provided from internally generated funds and the sale of commercial paper. Expenditures during 1990 for Hurricane Hugo damages are not expected to be significant. External funds for 1989 were provided from a \$75 million term loan, a \$70 million bank note, a \$34 million note, and short-term commercial paper sold on an interim basis. The proceeds were used to refund commercial paper and other short-term indebtedness of \$105 million and Pipeline Corporation's take-or-pay liabilities of \$34 million.

The Company has in effect a shelf registration for the issuance from time to time of an aggregate \$200 million in unsecured medium-term debt securities. If any sales of these securities are consummated, the proceeds may be used to fund additional business activities in non-utility subsidiaries, to reduce short-term debt incurred in connection therewith or for general corporate purposes. In addition, SCE&G has in effect a shelf registration statement under which it can issue an additional \$100 million of First and Refunding Mortgage Bonds which may be used to refund debt or for other corporate purposes. Whether additional securities will be sold and the timing and amount of such sales will depend upon market conditions and other factors.

The Company and its subsidiaries have available to them funds from unused lines of credit of \$90.3 million.

The Company anticipates that its 1990 cash requirements will be met primarily through internally generated funds, funds available through the sale of commercial paper and the sales of additional securities during the year. Whether additional securities will be sold and the timing and amount of such sales will depend upon market conditions and other factors. Actual 1990 construction and nuclear fuel expenditures may vary from the estimates set forth above due to factors such as inflation and economic conditions, regulation and legislation, rates of load growth, environmental protection standards and the cost and availability of capital.

The Company expects that it has or can obtain adequate sources of financing to meet its cash requirements in the long term.

Results Of Operations

Earnings and Dividends

Earnings per share of common stock, the percent increase (decrease) from the previous year and the rate of return earned on common equity for the years 1987 through 1989 were as follows:

	1989	1988	1987
Earnings per share	\$3.04	\$3.00	\$3.20
Percent increase (decrease) in earnings per share	1.3%	(6.3%)	5.6%
Return earned on common equity (year-end)	13.4%	13.5%	14.8%

Earnings per share and return on common equity increased in 1989 from 1988 primarily as a result of increased electric and gas operating margins which were partially offset by higher other operation and maintenance expenses and interest charges. Earnings per share and return on common equity decreased in 1988 from 1987 primarily as a result of lower retail electric rates ordered by the PSC and placed into effect January 1, 1988 and higher interest charges.

Allowance for funds used during construction (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. Both the equity and the debt portions of AFC are noncash items of nonoperating income which have the effect of increasing reported net income. AFC represented approximately 5% of net income in 1989 and 1988 and 3% in 1987.

During the period March 1984 through June 1987, the Company recorded carrying costs (including equity return) associated with the production investment, net of accumulated depreciation, relating to 400

MW of electric generating capacity previously removed from rate base. Total deferred carrying costs, a noncash item included under "Other income" as "Deferred return on plant investment", represented approximately 5% of net income for 1987. Commencing July 1, 1987 the Company ceased the deferral of carrying costs and began amortizing the accumulated deferred carrying costs over a ten-year period. (See Notes 1E and 2H of Notes to Consolidated Financial Statements.)

In 1989 the Company's Board of Directors raised the quarterly cash dividend on common stock to 61.5 cents per share from 60.0 cents per share. The increase, effective with the dividend payable on April 1, 1989, raised the indicated annual dividend rate to \$2.46 per share from \$2.40. The Company has increased the dividend rate on its common stock in 36 of the last 37 years.

Operating Margins

Electric operating margins for 1989, 1988 and 1987 were as follows.

	1989	1988	1987
(Millions of Dollars)			
Electric operating revenues	\$822.1	\$788.0	\$806.8
Less - Fuel used in electric generation	224.0	224.3	227.9
- Purchased and interchange power, net	(2.0)	(6.4)	(12.5)
Total	\$596.1	\$557.3	\$566.4

The 1989 electric operating margin increased from 1988 primarily due to higher retail electric rates placed into effect on July 3, 1989 (see Note 2B of Notes to Consolidated Financial Statements), increased kilowatt hour (KWH) sales as a result of the increase in the number of electric customers and increased average customer usage due to warmer summer weather. The 1988 electric operating margin decreased from 1987 primarily due to lower retail electric rates placed into effect January 1, 1988 (see Note 2I of Notes to Consolidated Financial Statements) which more than offset an increase in customer demand.

Increases (decreases) in electric customers and megawatt hour (MWH) sales volume by classes of customers are presented in the following table:

	Increase (Decrease) From Prior Year			
	Customers		Volume (MWH)	
Classification	1989	1988	1989	1988
Residential	6,487	7,619	128,856	40,677
Commercial	1,404	1,632	202,831	167,089
Industrial	(2)	8	38,722	(36,059)
Sale for resale	0	(1)	41,159	(38,731)
Other	23	53	16,378	9,838
Total	7,912	9,311	427,956	142,814

Fuel used in electric generation for 1989 remained relatively unchanged from 1988 even though KWH generation increased because the generation mix shifted toward nuclear generation (at unit costs lower than fossil fuels) and per unit fossil fuel costs were lower. Fuel used in electric generation for 1988 decreased from 1987 primarily because of a reduction in the average costs of fossil and nuclear fuels. Income from purchased and interchange power, net, decreased for 1989 compared to 1988 primarily due to increased purchases of lower cost electricity from other utilities. Income from purchased and interchange power, net, decreased for 1988 compared to 1987 largely due to the decreased demand for electricity by other utilities.

Summer weather combined with an increase in the number of electric customers resulted in an all-time peak demand record of 3,144 MW on July 11, 1989. The previous year's record of 3,021 MW was set on August 18, 1988.

Gas operating margins for 1989, 1988 and 1987 were as follows.

	1989	1988	1987
(Millions of Dollars)			
Gas operating revenues	\$297.1	\$291.3	\$306.0
Less - Gas purchased for resale	212.1	209.3	222.3
Total	\$ 85.0	\$ 82.0	\$ 83.7

The gas operating margin for 1989 increased from 1988 primarily due to an increase in the number of customers and higher average use per industrial customer. Residential and commercial classes had lower dekatherm sales despite increases in numbers of customers because of warmer weather in the first quarter of 1989. The decrease in the gas operating margin for 1988 compared to 1987 is primarily the result of a decrease in industrial demand which more than offset an increase in retail natural gas rates placed into effect December 1, 1987 (see Note 2J of Notes to Consolidated Financial Statements). Changes in customers and dekatherm (DT) sales of natural gas are presented in the following table:

	Increase (Decrease) From Prior Year			
	Customers		Volume (DT)	
Classification	1989	1988	1989	1988
Residential	3,770	5,515	(457,807)	28,858
Commercial	496	525	(1,162,872)	73,722
Industrial	(8)	22	3,398,221	(6,072,948)
Sale for resale	—	(1)	1,823,030	313,852
Total	4,258	6,061	3,700,472	(5,656,516)

Gas purchased for resale increased in 1989 compared to 1988 primarily as a result of increased customer demand for natural gas partially offset by lower gas costs. Gas purchased for resale decreased in 1988 compared to 1987 primarily as a result of lower customer demand for natural gas.

Other Operating Expenses

Other operation and maintenance expenses increased primarily due to costs related to damages caused by Hurricane Hugo and severe summer storms and increased expenses related to Summer Station outages. As a result of the Company's cost containment efforts, other operation and maintenance expenses in 1988 did not change significantly from the prior year. Increases in depreciation and amortization expense for 1989 and 1988 reflect additions to plant in service. Income tax expense decreased for 1989 from 1988 as a result of the tax impacts of offsetting storm damage costs with litigation settlement-related credits as approved by the PSC (see Note 2A of Notes to Consolidated Financial Statements). The decrease in income tax expense for 1988 results primarily from a reduction in the Federal corporate income tax rate effective July 1, 1987 and lower pre-tax income resulting from a reduction in retail electric rates. Other taxes increased in 1989 from 1988 primarily due to higher property taxes caused by increased millage rates and additional property. The decrease in other taxes in 1988 from 1987 resulted from a change in the method of recovery of municipal franchise taxes which was partially offset by an increase in property taxes.

Interest Charges

Interest on long-term debt increased \$11.1 and \$7.0 million in 1989 and 1988, respectively, when compared to the respective previous years. The increase in 1989 was due primarily to SCE&G's \$75 million bank loan obtained in January 1989, the Company's \$70 million bank note sold in January 1989 and higher interest rates. The increase in 1988 resulted primarily from interest associated with the issuance of \$100 million principal amount of 8-3/4% Series First and Refunding Mortgage Bonds in February 1987, the issuance of \$4,365 million of tax-exempt, annual tender pollution control bonds in September 1987, a \$40 million 8.32% Bank Note in December 1987 and higher interest rates.

Other interest expense decreased \$1.1 million in 1989 and increased \$4.1 million in 1988 compared to the respective previous years. The decrease in 1989 resulted primarily from lower short-term borrowings and a decrease in interest expense related to refunds to wholesale customers. The increase in 1988 resulted from an increase in short-term borrowings, higher interest rates, and interest expense related to amounts refunded to wholesale customers.

Selected Financial Data

For the Years Ended December 31,	1989	1988	1987	1986	1985	1984	1979
<i>(Thousands of Dollars except statistics and per share amounts)</i>							
Statement of Income Data							
Operating Revenues:							
Electric	\$ 822,112	\$ 787,956	\$ 806,826	\$ 809,488	\$ 787,796	\$ 746,745	\$401,281
Gas	297,069	291,308	305,934	289,429	318,856	378,491	138,386
Transit	4,102	4,060	3,212	3,119	3,689	3,178	2,146
Total Operating Revenues	1,123,283	1,083,324	1,115,972	1,102,036	1,110,341	1,128,414	541,813
Operating Expenses:							
Fuel used in electric generation	224,035	224,278	227,877	216,076	229,249	223,768	185,624
Gas purchased for resale	212,112	209,344	222,319	215,928	246,760	289,212	110,702
Other operation and maintenance	247,440	222,396	214,865	209,629	195,031	187,448	67,963
Depreciation and amortization	102,296	97,389	92,583	90,627	86,899	74,914	35,444
Taxes	124,216	125,247	153,943	171,060	154,804	153,776	62,008
Total Operating Expenses	910,099	878,654	911,587	903,320	912,743	929,118	461,741
Operating Income	213,184	204,670	204,385	198,716	197,598	199,296	80,072
Total Other Income	7,125	4,147	6,395	9,825	15,721	17,647	26,956
Income Before Interest Charges and Preferred Stock Dividends	220,309	208,817	210,780	208,541	213,319	216,943	107,028
Total Interest Charges, Net	90,421	80,057	71,478	71,934	83,218	78,248	51,347
Preferred Stock Cash Dividends of Subsidiary	7,263	8,014	10,437	14,443	16,541	16,877	12,315
Net Income	\$ 122,625	\$ 120,746	\$ 128,865	\$ 122,164	\$ 113,560	\$ 121,818	\$ 43,366
Weighted Average Number of Common Shares Outstanding (Thousands)	40,296	40,296	40,296	40,296	40,296	39,900	23,540
Earnings Per Share of Common Stock	\$3.04	\$3.00	\$3.20	\$3.03	\$2.82	\$3.05	\$1.84
Dividends Declared Per Share of Common Stock	\$2.46	\$2.40	\$2.32	\$2.24	\$2.16	\$2.05	\$1.68
Percent of Operating Income (Loss) Before Income Taxes:							
Electric	91	90	91	93	92	87	97
Gas	12	13	12	9	10	15	6
Transit	(3)	(3)	(3)	(2)	(2)	(2)	(3)

December 31,	1989	1988	1987	1986	1985	1984	1979
Balance Sheet Date	(Thousands of Dollars except statistics and per share amounts)						
Utility Plant, Net	\$2,444,278	\$2,384,633	\$2,313,996	\$2,248,657	\$2,221,070	\$2,205,297	\$1,482,688
Total Assets	\$2,984,507	\$2,887,279	\$2,714,257	\$2,587,491	\$2,550,627	\$2,506,996	\$1,659,127
Common Equity	\$ 918,235	\$ 895,727	\$ 871,620	\$ 836,913	\$ 806,155	\$ 778,251	\$ 449,397
Preferred Stock Subject to Purchase or Sinking Fund Requirements	68,038	77,244	84,632	117,542	152,514	156,789	126,364
Preferred Stock Not Subject to Purchase or Sinking Fund Requirements	26,027	26,029	26,029	26,029	26,262	26,262	26,262
Long-Term Debt, Net	1,003,972	885,679	896,963	757,340	791,539	900,878	681,454
Total Capitalization	\$2,016,272	\$1,884,679	\$1,879,244	\$1,737,824	\$1,776,470	\$1,862,180	\$1,283,477
Common Shares Outstanding (Year-End) (Thousands)	40,296	40,296	40,296	40,296	40,296	40,296	24,195
Book Value Per Share of Common Stock (Year-End)	\$22.79	\$22.23	\$21.63	\$20.77	\$20.01	\$19.31	\$18.57
Other Statistics							
Electric:							
Customers (Year-End)	435,001	427,089	417,778	406,511	393,810	378,960	336,700
Sales (Million KWH)	14,885	14,457	14,314	13,704	13,041	12,580	11,252
Residential:							
Average annual use per customer (KWH)	12,891	12,805	12,968	12,821	11,992	12,061	11,627
Average annual rate per KWH	\$0.699	\$0.691	\$0.724	\$0.759	\$0.774	\$0.757	\$0.646
Generating Capability - Net MW (Year-End)	3,891	3,891	3,890	3,890	3,959	3,959	3,359
Territorial Peak Demand - Net MW	3,144	3,021	2,943	2,853	2,703	2,596	2,299
Gas:							
Customers (Year-End)	205,657	201,399	195,338	192,941	191,002	189,544	164,277
Sales (Thousand Therms)	714,585	677,580	734,145	671,881	647,215	737,059	545,387
Residential:							
Average annual use per customer (therms)	575	617	627	548	524	618	684
Average annual rate per therm	\$0.69	\$0.70	\$0.68	\$0.68	\$0.67	\$0.69	\$0.34
Transit:							
Number of Coaches	84	114	108	117	122	123	96
Revenue Passengers Carried (Thousands)	6,430	6,723	8,668	8,699	9,032	9,658	9,548

INVESTOR INFORMATION

Notice of Annual Meeting

The 1990 Annual Meeting of Stockholders of SCANA Corporation will be held in Columbia, SC on Wednesday, April 25. The meeting will convene at 10:00 a.m. in the Ballroom of the Columbia Marriott Hotel, 1200 Hampton Street. Proxies will be mailed to stockholders in March. Stockholders who are unable to attend the Annual Meeting should return their proxies promptly by mail.

Corporate Headquarters

Palmetto Center
1426 Main Street
Columbia, SC 29201
Telephone: (803) 748-3000

Mailing Address

SCANA Corporation
Columbia, SC 29218

Common and Preferred Stock Listings

The common stock of SCANA Corporation is listed and traded on the New York Stock Exchange. The ticker symbol is **SCG**. The corporate name **SCANA** is used in newspaper stock listings. The 5% series cumulative preferred stock of South Carolina Electric & Gas Company (SCE&G), SCANA's principal subsidiary, is also listed and traded on the New York Stock Exchange. The ticker symbol is **SAC Pr**; the newspaper listing is **SCRE pr**.

Dividend Payment Dates

Quarterly dividends on SCANA's common stock are normally payable on the first day of January, April, July and October to stockholders of record on the 10th day of the month preceding the payment date. Dividends on SCE&G's preferred stock are paid quarterly on the same dates as the common stock dividends.

Dividend Reinvestment Plan

SCANA offers a Dividend Reinvestment and Stock Purchase Plan to its common stockholders of record. A brochure, Authorization Form and return envelope are automatically mailed to all new stockholders. For further information or for questions about your DRP account, write to the Secretarial and Shareholder Services Department (054) at the Company's mailing address.

Stockholder Inquiries

Questions concerning dividend payments or other stockholder matters should be directed in writing to the Secretarial and Shareholder Services Department (054) at the Company's mailing address.

Auditors

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

Recordkeeping and Paying Agents

Common Stock:
SCANA Corporation Secretarial and Shareholder Services Department (054)
Columbia, SC 29218
SCE&G Preferred Stock:
South Carolina National Bank Securities Transfer Services - Room 101
101 Greystone Boulevard
Columbia, SC 29226

Transfer Agents

Common Stock:
South Carolina National Bank Securities Transfer Services - Room 101
101 Greystone Boulevard
Columbia, SC 29226
Manufacturers Hanover Trust Company
Stock Transfer Department - 15th Floor
450 West 33rd Street
New York, NY 10001
SCE&G Preferred Stock:
South Carolina National Bank Securities Transfer Services - Room 101
101 Greystone Boulevard
Columbia, SC 29226
The Chase Manhattan Bank, N.A.
Stock Transfer Department
P.O. Box 469, Washington Bridge Station
New York, NY 10033

Bond Trustee and Paying Agent

SCE&G First and Refunding Mortgage Bonds:
Manufacturers Hanover Trust Company
Corporate Trust Department - 15th Floor
450 West 33rd Street
New York, NY 10001

Investor Communications

Interim reports providing summary financial statements and Company news are sent to stockholders following the close of the first, second and third quarters. A copy of SCANA's Annual Report on Form 10-K (as filed with the Securities and Exchange Commission) and the Statistical Supplement to the 1989 Annual Report are available without charge. Inquiries concerning activities of SCANA Corporation and its subsidiaries and requests for publications should be addressed to the Investor Relations Department (054) at the Company's mailing address.

Investor Contact

H. John Winn, III
Manager-Investor Relations
Telephone: (803) 748-3240

Investors' Association

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

This report is issued solely for the purpose of providing information. It is not intended for use in connection with any sale or purchase of, or any solicitation of offers to buy or sell, any securities.

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