



South Carolina Electric & Gas Company  
Virgil C. Summer Nuclear Station  
P.O. Box 88  
Jenkinsville, SC 29065  
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10CFR140.21  
10CFR50.54  
D. A. Lavigne  
General Manager,  
Nuclear Safety

April 5, 1993  
Refer to: RC-93-0085

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

Attention: Mr. Robert S. Wood

Gentlemen:

Subject: VIRGIL C. SUMMER NUCLEAR STATION  
DOCKET NO. 50/395  
OPERATING LICENSE NO. NPF-12  
ANNUAL 10CFR50.54(W)(3) AND 10CFR140.21(E) REPORT

In compliance with 10CFR50.54(w)(3) and 10CFR140.21(e) respectively, South Carolina Electric & Gas Company (SCE&G), acting for itself and as agent for South Carolina Public Service Authority (PSA), herewith submits a summary of the present levels of property insurance and a cash flow statement for the Virgil C. Summer Nuclear Station. In addition, the 1992 Annual Financial Statements for SCE&G and PSA are enclosed.

Very truly yours,

  
D. A. Lavigne

DWF:lcd  
Enclosures

c: O. W. Dixon (w/o Enclosures)  
R. R. Mahan (w/o Enclosures)  
R. J. White  
S. D. Ebner  
NRC Resident Inspector

J. B. Knotts Jr.  
J. B. Buford (M/C 056)  
NSRC  
RTS (ANN 2500) (w/o Enclosures)  
Central File System (CFS)  
File (818.02-4)

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NUCLEAR EXCELLENCE - A SUMMER TRADITION!

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SOUTH CAROLINA ELECTRIC & GAS COMPANY

Summary of Nuclear Insurance  
Revised January 27, 1993

| Type of Insurance and Insurer(s)   | Policy Number(s) | Limits   | Term & Expiration                                  | Premium        |
|--|------------------|--|--|----------------|
| <b>NUCLEAR</b>   |                  |  |  |                |
| <b>PRIMARY ALL RISK NUCLEAR PROPERTY</b>   |                  |  |  |                |
| ANI  | 92217            | \$500,000,000 Excess of \$250,000 Deductible                               |  | \$1,145,726.00 |
| MAELU  | 92217            | \$400,000,000 Part of \$500,000,000<br>\$100,000,000 Part of \$500,000,000 | 08/08/92 - 08/08/93                                | \$ 423,762.00  |
| Provides All Risk Coverage for all real property, contents and non-automotive equipment at V. C. Summer Nuclear Station.                                   |                  |  |  |                |
| <b>SECONDARY NUCLEAR PROPERTY</b>  |                  |  |  |                |
| NEIL II  | X92-052          | \$500,000,000 and Deductible<br>\$1,325,000,000 Excess of Primary Policy   | 11/15/92 - 11/15/93                                | \$1,582,422.00 |
| Provides Second Excess Nuclear Property Coverage   |                  |  |  |                |
| <b>NUCLEAR PUBLIC LIABILITY</b>  |                  |  |  |                |
| ANI  | MF-252           | \$155,000,000 Part of \$200,000,000  | Continuous until Cancelled                         | \$ 319,522.00  |
| MAELU  | MF-108           | \$45,000,000 Part of \$200,000,000   | 01/01/93 to 12/31/93                               | \$ 92,764.00   |
| Provides Primary Liability Coverage for the Nuclear Hazard.  |                  |  |  |                |
| <b>SECONDARY FINANCIAL PROTECTION</b>  |                  |  |  |                |
| ANI  | N-78             | \$7,807,250,000 Excess of \$200,000,000                                    | Continuous until Cancelled                         | \$ 5,813.00    |
| MAELU  | M-78             |  | 01/01/93 to 12/31/93                               | \$ 1,687.00    |
| Provides Excess Liability Coverage for the Nuclear Hazard (Administered by ANI).   |                  |  |  |                |
| <b>NUCLEAR SUPPLIERS AND TRANSPORTERS</b>  |                  |  |  |                |
| ANI  | NS-420           | \$10,000,000   | Continuous until Cancelled<br>01/01/93 to 12/31/93 | \$ 5,809.00    |
| Provides Liability Coverage for the Nuclear Hazard for nuclear materials, suppliers, and transporters who are economically unable to obtain such coverage. |                  |  |  |                |
| <b>NUCLEAR WORKERS' POLICY</b>   |                  |  |  |                |
| ANI  | NW-149           | \$155,000,000 Part of 200,000,000  |  | \$ 17,903.00   |
| MAELU  | NW-78            | \$45,000,000 Part of 200,000,000   | 01/01/93 to 12/31/93                               | \$ 5,197.00    |
| Provides coverage for worker claims arising from occupational disease and radiation exposures.   |                  |  |  |                |

SOUTH CAROLINA ELECTRIC AND GAS COMPANY  
INTERNAL CASH FLOW PROJECTION  
FOR V.C. SUMMER NUCLEAR POWER STATION

30-Mar-93

(THOUSANDS OF DOLLARS)

|  | PRIOR YEAR<br>1992<br>ACTUAL TOTAL | PROJECTION YEAR<br>1993<br>TOTAL* |
|--|------------------------------------|-----------------------------------|
| NET INCOME AFTER TAXES                               | \$ 102163                          | \$ 145783                         |
| LESS DIVIDENDS PAID                                  | \$ 105768                          | \$ 114509                         |
| RETAINED EARNINGS                                    | \$ -3605                           | \$ 31274                          |
| ADJUSTMENTS  |                                    |                                   |
| DEPRECIATION AND AMORTIZATION                        | \$ 120254                          | \$ 121993                         |
| DEFERRRED INCOME TAXES AND<br>INVESTMENT TAX CREDITS | \$ -18016                          | \$ -3470                          |
| ALLOWANCE FOR FUNDS<br>USED DURING CONSTRUCTION      | \$ -8177                           | \$ -14177                         |
| TOTAL ADJUSTMENTS                                    | \$ 94061                           | \$ 104346                         |
| INTERNAL CASH FLOW                                   | \$ 90456                           | \$ 135620                         |
| AVERAGE QUARTERLY CASH FLOW                          | \$ 22614                           | \$ 33905                          |

\* ASSUMES 100% OF REQUESTED RATE INCREASE

FINANCIAL PLANNING

# **Financial Statement**

**South Carolina Public Service Authority**

**Calendar Year 1992**

## **FINANCIAL STATEMENTS**

South Carolina Public Service Authority  
Calendar Year 1992



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheet of the South Carolina Public Service Authority (a component unit of the State of South Carolina—Note 1) as of December 31, 1992 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. The financial statements of the South Carolina Public Service Authority as of December 31, 1991 and for the two years then ended were audited by other auditors whose report dated February 19, 1992 expressed an unqualified opinion on those statements.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 1992, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

Charlotte, North Carolina  
February 17, 1993

## BALANCE SHEETS

South Carolina Public Service Authority  
December 31, 1992 and 1991

| ASSETS  | 1992<br>(Thousands) | 1991             |
|---|---------------------|------------------|
| Utility Plant - At Cost:  |                     |                  |
| Electric plant in service   | \$ 2,475,764        | \$ 2,372,535     |
| Less accumulated depreciation   | 746,749             | 689,810          |
| Electric plant in service   | 1,729,015           | 1,682,725        |
| Construction in Progress  | 267,411             | 150,649          |
| Nuclear fuel - at amortized cost  | 19,100              | 19,097           |
| Utility plant - net   | 2,015,526           | 1,852,471        |
| Other Physical Property (Net of Accumulated Depreciation)   | 1,497               | 927              |
| Cash and Investments Held by Trustee (Designated)   | 607,112             | 430,419          |
| Current Assets:   |                     |                  |
| Cash and investments held by trustee  | 46,536              | 50,023           |
| Bond funds - current portion  | 99,205              | 95,444           |
| Accounts receivable - net of allowance for doubtful accounts<br>of \$1,570,000 and \$1,336,000 in 1992 and 1991, respectively | 50,288              | 45,596           |
| Accrued interest receivable   | 3,329               | 4,090            |
| Inventories, at average cost:   |                     |                  |
| Fuel (coal and oil)   | 46,506              | 33,441           |
| Materials and supplies  | 30,600              | 32,228           |
| Prepaid expenses  | 986                 | 1,056            |
| Total current assets  | 277,450             | 261,878          |
| Deferred Debits and Other Assets:   |                     |                  |
| Unamortized debt expense  | 21,518              | 16,924           |
| Unamortized loss on refunded debt   | 223,429             | 217,712          |
| Costs to be recovered from future revenue   | 341,481             | 317,328          |
| Other   | 27,448              | 23,322           |
| Total deferred debits and other assets  | 613,876             | 575,286          |
| <br>Total   | <br>\$ 3,515,461    | <br>\$ 3,120,981 |

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

## LIABILITIES AND CAPITALIZATION

1992  
(Thousands) 1991

## Long-Term Debt:

|   |           |           |
|---|-----------|-----------|
| Electric Revenue Bonds - Priority Obligations | \$ 44,705 | \$ 47,245 |
| Electric System Expansion Revenue Bonds       | 1,516,440 | 1,670,875 |
| Electric System Revenue Bonds                 | —         | 27,000    |
| Capitalized lease obligations                 | 52,673    | 55,820    |
| Revenue Bonds                                 | 852,950   | 367,345   |

|   |           |           |
|---|-----------|-----------|
| Total long-term debt (net of current portion) | 2,466,768 | 2,168,285 |
|---|-----------|-----------|

## Less:

|   |        |        |
|---|--------|--------|
| Reacquired debt                             | 5,345  | 5,655  |
| Unamortized debt discount and premium - net | 42,537 | 40,256 |

|                      |           |           |
|----------------------|-----------|-----------|
| Long-term debt - net | 2,418,886 | 2,122,374 |
|----------------------|-----------|-----------|

## Current Liabilities:

|                                    |         |         |
|------------------------------------|---------|---------|
| Current portion of long-term debt  | 34,266  | 44,801  |
| Accrued interest on long-term debt | 80,506  | 72,296  |
| Commercial paper notes             | 121,750 | 124,000 |
| Mini-Bonds                         | 123,795 | 83,514  |
| Accounts payable                   | 28,129  | 29,991  |
| Other                              | 22,293  | 15,007  |

|                           |         |         |
|---------------------------|---------|---------|
| Total current liabilities | 410,739 | 369,609 |
|---------------------------|---------|---------|

## Deferred Credits and Other Non-Current Liabilities:

|                                     |        |        |
|-------------------------------------|--------|--------|
| Construction fund liabilities       | 25,576 | 3,861  |
| Nuclear decommissioning costs       | 24,361 | 17,007 |
| Unamortized gain on reacquired debt | 566    | 873    |
| Other                               | 10,797 | 6,622  |

|  |        |        |
|--|--------|--------|
| Total deferred credits and other non-current liabilities | 61,300 | 28,363 |
|--|--------|--------|

## Commitments and Contingencies

|  |        |        |
|--|--------|--------|
| Capital Contributions - U.S. Government Grants | 34,438 | 34,438 |
|--|--------|--------|

|   |         |         |
|---|---------|---------|
| Accumulated Earnings Reinvested in the Business | 590,098 | 566,197 |
|---|---------|---------|

|       |              |              |
|-------|--------------|--------------|
| Total | \$ 3,515,461 | \$ 3,120,981 |
|-------|--------------|--------------|



# STATEMENTS OF ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS

South Carolina Public Service Authority

Years Ended December 31, 1992, 1991, and 1990

|   | 1992       | 1991<br>(Thousands) | 1990       |
|---|------------|---------------------|------------|
| Accumulated earnings reinvested in the business – beginning of year | \$ 566,197 | \$ 530,869          | \$ 496,497 |
| Reinvested earnings for the year                                    | 29,717     | 40,968              | 40,001     |
| Total   | 595,914    | 571,837             | 536,498    |
| Distribution to the State of South Carolina                         | 5,816      | 5,640               | 5,629      |
| Accumulated earnings reinvested in the business – end of year       | \$ 590,098 | \$ 566,197          | \$ 530,869 |

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

# STATEMENTS OF REINVESTED EARNINGS

South Carolina Public Service Authority  
Years Ended December 31, 1992, 1991, and 1990

|   | 1992       | 1991        | 1990       |
|---|------------|-------------|------------|
|   |            | (Thousands) |            |
| Operating Revenues:                       |            |             |            |
| Sale of electricity                       | \$ 541,725 | \$ 557,736  | \$ 548,066 |
| Other operating revenues                  | 5,153      | 4,842       | 5,914      |
| Total operating revenues                  | 546,878    | 562,578     | 553,980    |
| Operating Expenses:                       |            |             |            |
| Operation expense:                        |            |             |            |
| Production                                | 217,223    | 232,219     | 241,682    |
| Purchased and interchanged power - net    | 10,425     | 9,220       | 5,170      |
| Transmission                              | 3,197      | 3,028       | 2,708      |
| Distribution                              | 3,810      | 3,698       | 3,048      |
| Customer accounts                         | 3,919      | 3,639       | 4,650      |
| Sales                                     | 1,295      | 1,266       | 1,263      |
| Administrative and general                | 39,784     | 41,037      | 40,711     |
| Maintenance expense                       | 52,365     | 50,213      | 42,511     |
| Total operation and maintenance expense   | 332,018    | 344,320     | 341,743    |
| Depreciation and Amortization             | 75,025     | 70,846      | 67,538     |
| Sums in lieu of taxes                     | 3,643      | 3,364       | 3,426      |
| Total operating expenses                  | 410,686    | 418,530     | 412,707    |
| Operating Income                          | 136,192    | 144,048     | 141,273    |
| Other Income:                             |            |             |            |
| Interest income                           | 21,980     | 29,302      | 22,858     |
| Other - net                               | 642        | 52          | 14         |
| Total other income                        | 22,622     | 29,354      | 22,872     |
| Interest Charges:                         |            |             |            |
| Interest on long-term debt                | 129,894    | 133,619     | 131,197    |
| Other                                     | 23,356     | 23,279      | 19,474     |
| Total interest charges                    | 153,250    | 156,898     | 150,671    |
| Costs to be recovered from future revenue | 24,153     | 24,464      | 26,527     |
| Reinvested Earnings                       | \$ 29,717  | \$ 40,968   | \$ 40,001  |

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

# STATEMENTS OF CASH FLOWS

South Carolina Public Service Authority  
Years Ended December 31, 1992, 1991, and 1990

|   | 1992       | 1991<br>(Thousands) | 1990       |
|---|------------|---------------------|------------|
| <b>Cash Flows From Operating Activities:</b>  |            |                     |            |
| Operating Income  | \$ 136,192 | \$ 144,048          | \$ 141,273 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |            |                     |            |
| Depreciation and amortization   | 85,602     | 79,180              | 77,789     |
| Other Income  | 33         | 52                  | 14         |
| Changes in assets and liabilities:  |            |                     |            |
| Accounts receivable   | (4,692)    | 6,850               | 9,441      |
| Inventories   | (11,437)   | (644)               | (268)      |
| Prepaid expenses  | 70         | 19                  | (132)      |
| Other deferred debits   | (4,380)    | (7,202)             | 613        |
| Accounts payable  | 20,462     | (5,748)             | 2,747      |
| Other current liabilities   | 6,174      | 3,302               | (8,050)    |
| Other non-current liabilities   | 11,529     | 401                 | (115)      |
| Net cash provided by operating activities   | 239,553    | 220,258             | 223,312    |
| <b>Cash Flows From Investing Activities:</b>  |            |                     |            |
| Net (Increase) in investments   | (215,041)  | (144,161)           | (38,257)   |
| Interest on investments   | 39,769     | 22,544              | 19,471     |
| Net cash (used in) provided by investing activities                                     | (175,272)  | (121,617)           | (18,786)   |
| <b>Cash Flows From Noncapital-Related Financing Activities:</b>                         |            |                     |            |
| Distribution to the State of South Carolina   | (5,815)    | (5,640)             | (5,629)    |
| <b>Cash Flows From Capital-Related Financing Activities:</b>                            |            |                     |            |
| Proceeds from sale of bonds   | 544,843    | 398,808             | 22,997     |
| Proceeds (Repayments) Net from sale of commercial paper                                 | (2,250)    | 4,000               | 70,000     |
| Repayment and refunding of bonds  | (228,003)  | (99,184)            | (35,571)   |
| Interest paid on borrowings   | (167,613)  | (141,703)           | (139,399)  |
| Construction and betterments of utility plant   | (235,279)  | (145,622)           | (102,286)  |
| Bond Issuance Costs   | (7,699)    | (4,604)             | (2)        |
| Other   | (3,052)    | (2,961)             | (2,877)    |
| Net cash provided by (used in) capital-related financing activities                     | (99,053)   | 8,734               | (187,138)  |
| Net (Decrease) Increase in Cash and Cash Equivalents                                    | (40,587)   | 101,735             | 11,759     |
| Cash and Cash Equivalents at the Beginning of the Year                                  | 229,083    | 127,348             | 115,589    |
| Cash and Cash Equivalents at the End of the Year  | \$ 188,496 | \$ 229,083          | \$ 127,348 |

|  | 1992       | 1991<br>(Thousands) | 1990       |
|--|------------|---------------------|------------|
| <b>Reconciliation of Cash and Cash Equivalents:</b>        |            |                     |            |
| Cash and investments held by trustee (designated)          | \$ 607,112 | \$ 430,419          | \$ 197,939 |
| Cash and investments held by trustee                       | 46,536     | 50,023              | 53,960     |
| Bond funds - current portion                               | 99,205     | 95,444              | 84,583     |
| Less investments, not considered cash and cash equivalents | 564,357    | 346,803             | 209,134    |
| Cash and cash equivalents at the end of the year           | \$ 188,496 | \$ 229,083          | \$ 127,348 |

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A - Reporting Entity - The South Carolina Public Service Authority (the "Authority"), a component unit of the State of South Carolina, was created in 1934 by the State Legislature. The Board of Directors is appointed by the Governor of South Carolina. 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 and operating expenses, and to 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 - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

D - Depreciation - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.3% for each of the three years in the period ended December 31, 1992. Amortization expense related to capitalized leases is also included in depreciation expense.

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

F - Bond Issuance Costs - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are generally deferred and amortized to income over the terms of the debt issues.

G - Cash and Cash Equivalents - 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. In 1991, the Authority changed the definition of cash and cash equivalents to include Cash and Investments Held by Trustee (Designated).

H - State Distribution - The distribution to the state of South Carolina is determined utilizing a formula required under the 1949 Indenture which is based essentially on operating cash flows 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.

I - Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

### NOTE 2 - REGIONAL WATER SYSTEM:

In 1992, the Authority's Board of Directors authorized the construction of a regional water system. The Authority executed

a contract with the Lake Moultrie Water Agency, a joint municipal water system consisting of the following members: City of Summerville Commission of Public Works, Town of Moncks Corner Commission of Public Works, City of Goose Creek, and the County of Berkeley. The Lake Moultrie Water Agency will purchase all of the capacity of the water system and sell such capacity to the four members. The water system is estimated to commence initial operation in September 1994 and begin commercial operation in January 1995. The estimated construction costs for the water system are approximately \$36,000,000. As of December 31, 1992, the construction costs incurred totalled approximately \$2,106,000.

### NOTE 3 - COSTS TO BE RECOVERED FROM FUTURE REVENUE:

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

### NOTE 4 - CASH AND INVESTMENTS HELD BY TRUSTEE (DESIGNATED):

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees and their use 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. At December 31, 1992, the Authority's repurchase agreements totalled approximately \$110,511,000.

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



|  | 1992        |          |          |            |            |            |
|--|-------------|----------|----------|------------|------------|------------|
|  | 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 .....          | \$ 75,558   | \$ 1,400 | \$ 51    | \$ (582)   | \$ 76,427  | \$ 76,519  |
| Debt Service Reserve Funds .....         | 162,850     | 0        | 0        | 235        | 163,085    | 170,917    |
| Other Special Funds .....                | 269,519     | 0        | 0        | 77         | 269,596    | 268,376    |
| Funded Interest .....                    | 98,004      | 0        | 0        | 0          | 98,004     | 99,251     |
| Total Cash and Investments               |             |          |          |            |            |            |
| Held by Trustee (Designated) .....       | \$ 605,931  | \$ 1,400 | \$ 51    | \$ (270)   | \$ 607,112 | \$ 615,063 |
| Cash and Investments                     |             |          |          |            |            |            |
| Held by Trustee (Undesignated)           |             |          |          |            |            |            |
| Revenue Fund .....                       | \$ 42,680   | \$ 0     | \$ 0     | \$ (1,260) | \$ 41,420  | \$ 41,424  |
| Special Reserve Fund .....               | 4,742       | 0        | 100      | 274        | 5,116      | 5,145      |
| Total Cash and Investments               |             |          |          |            |            |            |
| Held by Trustee (Undesignated) .....     | \$ 47,422   | \$ 0     | \$ 100   | \$ (986)   | \$ 46,536  | \$ 46,569  |
| Bond Funds - Current Portion             |             |          |          |            |            |            |
| Interest .....                           | \$ 14,870   | \$ 0     | \$ 0     | \$ 51,119  | \$ 65,989  | \$ 65,989  |
| Bond Principal .....                     | 15,554      | 0        | 0        | 6          | 15,560     | 15,654     |
| Funded Interest .....                    | 17,217      | 0        | 0        | 0          | 17,217     | 17,217     |
| Lease .....                              | 439         | 0        | 0        | 0          | 439        | 439        |
| Total Bond Funds - Current Portion ..... | \$ 48,080   | \$ 0     | \$ 0     | \$ 51,125  | \$ 99,205  | \$ 99,299  |

|  | 1991        |          |          |            |            |            |
|--|-------------|----------|----------|------------|------------|------------|
|  | 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 .....        | \$ 117,911  | \$ 200   | \$ 38    | \$ 843     | \$ 118,992 | \$ 119,332 |
| Debt Service Reserve Funds .....       | 149,130     | 1,200    | 92       | 37         | 150,459    | 159,481    |
| Other Special Funds .....              | 139,398     | 0        | 0        | (16,670)   | 122,728    | 121,503    |
| Funded Interest .....                  | 38,239      | 0        | 1        | 0          | 38,240     | 39,767     |
| Total Cash and Investments             |             |          |          |            |            |            |
| Held by Trustee (Designated) .....     | \$ 444,678  | \$ 1,400 | \$ 131   | \$(15,790) | \$ 430,419 | \$ 440,083 |
| Cash and Investments                   |             |          |          |            |            |            |
| Held by Trustee (Undesignated)         |             |          |          |            |            |            |
| Revenue Fund .....                     | \$ 28,594   | \$ 0     | \$ 100   | \$ 14,025  | \$ 42,719  | \$ 42,777  |
| Special Reserve Fund .....             | 7,309       | 0        | 0        | (5)        | 7,304      | 7,588      |
| Total Cash and Investments             |             |          |          |            |            |            |
| Held by Trustee (Undesignated) .....   | \$ 35,903   | \$ 0     | \$ 100   | \$ 14,020  | \$ 50,023  | \$ 50,365  |
| Bond Funds - Current Portion           |             |          |          |            |            |            |
| Interest .....                         | \$ 8,309    | \$ 0     | \$ 1     | \$ 59,977  | \$ 68,287  | \$ 68,288  |
| Bond Principal .....                   | 20,337      | 0        | 123      | 378        | 20,838     | 20,967     |
| Funded Interest .....                  | 5,880       | 0        | 0        | 0          | 5,880      | 5,880      |
| Lease .....                            | 439         | 0        | 0        | 0          | 439        | 439        |
| Total Bond Funds - Current Portion ... | \$ 34,965   | \$ 0     | \$ 124   | \$ 60,355  | \$ 95,444  | \$ 95,574  |

**NOTE 5 - LONG-TERM DEBT OUTSTANDING:**

The Authority's long-term debt at December 31, 1992 and 1991 consisted of the following:

|  | 1992         | 1991         |
|--|--------------|--------------|
|  | (Thousands)  |              |
| Electric Revenue Bonds - Priority Obligations: (mature through 2006) |              |              |
| Interest rates vary from 2.70% - 4.10% .....                         | \$ 47,245    | \$ 49,705    |
| Electric System Expansion Revenue Bonds: (mature through 2022)       |              |              |
| Interest rates vary from 5.00% - 9.10% .....                         | 1,539,535    | 1,695,100    |
| Electric System Revenue Bonds: (mature through 1992) .....           | —            | 40,500       |
| Capitalized lease obligations: (mature through 2015)                 |              |              |
| Interest rates vary from 2.00% - 5.00% .....                         | 55,819       | 58,871       |
| Revenue Bonds: (mature through 2031)                                 |              |              |
| Interest rates vary from 5.00% - 7.10% .....                         | 858,435      | 368,910      |
| Total Long-Term Debt .....   | 2,501,034    | 2,213,086    |
| Current Portion - Long-Term Debt .....                               | 34,266       | 44,801       |
| Total Long-Term Debt - Net .....                                     | \$ 2,466,768 | \$ 2,168,285 |

Maturities of long-term debt through 1997 are as follows:

|                          | Priority<br>Obligations | Expansion<br>Bonds | Capitalized<br>Leases | Revenue<br>Bonds | Total     |
|--------------------------|-------------------------|--------------------|-----------------------|------------------|-----------|
| Year Ending December 31, | (Thousands)             |                    |                       |                  |           |
| 1993 .....               | \$ 2,540                | \$ 23,095          | \$ 3,146              | \$ 5,485         | \$ 34,266 |
| 1994 .....               | 2,605                   | 24,550             | 3,225                 | 5,795            | 36,175    |
| 1995 .....               | 2,720                   | 26,115             | 3,318                 | 19,645           | 51,798    |
| 1996 .....               | 2,845                   | 29,725             | 3,418                 | 1,220            | 37,208    |
| 1997 .....               | 2,975                   | 31,655             | 3,527                 | 6,010            | 44,167    |

The fair value of the Authority's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately \$2.8 billion at December 31, 1992.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. In 1992, the Authority issued \$168,545,000 in 1992 Refunding Series A Revenue Bonds.

The 1992 Refunding Series A Bonds refunded the following Electric System Expansion Revenue Bonds: \$3,370,000, 1985 Refunding Bonds; \$5,405,000, 1985 Refunding Series A Bonds; \$22,555,000, 1988 Refunding Series A Bonds; \$100,010,000, 1986 Refunding Series A Bonds; and \$15,370,000, 1991 Series B Revenue Bonds; and \$17,085,000, 1991 Series D Revenue Bonds. The refunding resulted in the Authority reducing its total debt service by approximately \$28,597,000 and obtaining an economic gain of approximately \$10,268,000 after adjusting for funds used from the refunding of other than the 1992 Refunding Series A Bond proceeds.



Amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 1992 follow:

| Refunding Issue                           | Refunded Bonds   | Refunded Amount Outstanding | Original Loss | Unamortized Loss |
|---|--|-----------------------------|---------------|------------------|
| (Thousands)                               |  |                             |               |                  |
| 1977 Refunding                            | 1971 and 1976 Series   | \$ —                        | \$ 11,244     | \$ 5,419         |
| 1982 Refunding                            | \$ 100,000 of the 1981 Series C<br>\$ 127,000 of the 1982 Series A   | —                           | 62,588        | 1,023            |
| 1985 Refunding                            | \$ 150,000 of the 1982 Series B  | —                           | 30,570        | 3,392            |
| Cash Defeasance                           | \$ 20,000 of the 1982 Series A   | —                           | 2,763         | 2,174            |
| 1986 A&B Refunding                        | \$ 42,725 of the 1980 Series A<br>\$ 42,000 of the 1981 Series A<br>\$ 61,000 of the 1981 Series B<br>\$ 4,420 of the 1981 Series C<br>\$ 7,820 of the 1982 Series A<br>\$ 9,010 of the 1982 Series B  | —                           | 43,736        | 16,288           |
| 1986 C&D Refunding                        | \$280,275 of the 1982 Refunding Series   | —                           | 97,109        | 85,158           |
| 1987 A Refunding                          | \$160,510 of the 1985 Refunding Series   | 160,510                     | 48,038        | 39,891           |
| 1988 A Refunding                          | \$ 18,220 of the 1980 Series A<br>\$ 18,315 of the 1981 Series A<br>\$ 9,110 of the 1982 Refunding Series<br>\$ 5,000 of the 1985 Refunding Series<br>\$120,890 of the 1985 Refunding Series A   | 125,890                     | 28,644        | 23,195           |
| 1991 A,B&C Refunding & Improvement Series | \$ 4,855 of the 1980 Series A<br>\$ 8,075 of the 1981 Series A<br>\$ 13,500 of the 1985 Series<br>\$ 32,500 of the 1985 Refunding Series   | 32,500                      | 4,856         | 4,288            |
| Commercial Paper                          | \$ 27,000 of the 1985 Subordinate Series   | —                           | 495           | 413              |
| 1992 A Refunding                          | \$ 5,405 of the 1985 Refunding Series A<br>\$ 3,370 of the 1985 Refunding Series<br>\$100,010 of the 1986 Refunding Series A<br>\$ 22,555 of the 1988 Refunding Series A<br>\$ 15,370 of the 1991 Refunding Series B<br>\$ 12,085 of the 1991 Series D | 158,795                     | 42,188        | 42,188           |
| Total                                     |  | \$ 477,695                  | \$ 372,231    | \$ 223,429       |

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

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

replacements, and renewals thereof.

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

As of December 31, 1992, the Authority is in compliance with all debt covenants.

**NOTE 6 - REVENUE BONDS:**

On December 22, 1992, the Authority's Board of Directors authorized the sale of \$25,000,000 Revenue Bonds, 1992 Series B (1992 B Bonds). The 1992 B Bonds were closed on January 7, 1993. Proceeds from the 1992 B Bonds will be used for the construction of the regional water system.

The 1992 B Bonds were sold at an all in interest cost of 6.29% and are due July 2000 to 2014, 2020 and 2027.

**NOTE 7 - COMMERCIAL PAPER AND MINI-BONDS:**

The Board of Directors has authorized the issuance of commercial paper not to exceed \$150,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. As of December 31, 1992 and 1991, the effective interest rate on outstanding borrowings was 2.69% and 4.20%, respectively. During 1992 and 1991, the average amount outstanding was \$115,410,000 and \$123,880,000, respectively; the average maturity was 62 and 44 days, respectively; and the average effective interest rate was 2.96% and 4.48%, respectively.

At December 31, 1992, the Authority had a Revolving Credit Agreement with NationsBank for \$150,000,000. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the

agreement during 1992.

In 1988 and 1989 the Authority issued bonds (Mini-Bonds) in small denominations which are due on demand by the registered owner under a Mini-bond Resolution. In 1990, the Revenue Bond Resolution was adopted and all senior debt including the existing 1988 and 1989 Mini-Bonds were frozen except for refunding purposes. Under the Revenue Bond Resolution, small denomination bonds due on demand (Series M Bonds) were issued. The Mini-Bonds and the Series M Bonds are collectively referred to as "Mini-Bonds" because they retain the same characteristics even though they are different lien levels. The pledge of revenues securing Revenue Bonds is junior and subordinate to the pledge of revenues securing the Priority Obligations, Electric System Expansion Revenue Bonds, and the 1988 and 1989 Mini-Bonds and capital lease obligations, but is superior to the lien and pledge of revenues securing the Commercial Paper, payments to the Contingency Fund, Capital Improvement Fund, Special Reserve Fund, and the payments to the State.

At December 31, 1992, the Authority had two Revolving Credit Agreements with NationsBank for \$40,000,000. These agreements are used to provide liquidity for the put feature on all outstanding Mini-Bonds. There were no borrowings under these agreements during 1992.

Commercial Paper and Mini-Bonds outstanding at December 31:

|   | 1992        | 1991       |
|---|-------------|------------|
|   | (Thousands) |            |
| Commercial Paper .....  | \$ 121,750  | \$ 124,000 |
| Mini-Bonds:   |             |            |
| 1988 Series, bearing interest at 7.75% and due 2003 .....                 | \$ 16,641   | \$ 16,711  |
| 1989 Series, bearing interest at 7.00% and due 2004 .....                 | 18,299      | 18,018     |
| Total Mini-Bonds .....  | \$ 34,940   | \$ 34,729  |
| Revenue Bonds (Series M):   |             |            |
| 1990 Series, bearing interest at 7.30% and due 2005 and 2006 .....        | \$ 21,842   | \$ 21,495  |
| 1991 Series, bearing interest at 6.875% and due 2007 and 2008 .....       | 27,671      | 27,290     |
| 1992 Series, bearing interest at 6.25% and due 2007, 2008, and 2009 ..... | 39,342      | —          |
| Total Revenue Bonds (Series M) .....                                      | \$ 88,855   | \$ 48,785  |
| Total Mini-Bonds and Revenue Bonds (Series M) .....                       | \$ 123,795  | \$ 83,514  |
| Total Commercial Paper, Mini-Bonds and, Revenue Bonds (Series M) .....    | \$ 245,545  | \$ 207,514 |

**NOTE 8 - SUMMER NUCLEAR STATION:**

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs

relating thereto. The Authority receives 33 1/3% of the net electricity generated. At December 31, 1992 and 1991, the plant accounts included approximately \$436,409,000 and \$438,771,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For each of the three years ended December 31, 1992, 1991, and 1990 the Authority's operation and maintenance expenses included \$41,431,000, \$30,880,000, and \$33,167,000, respectively, for the Summer Nuclear Station.

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

SCE&G has an on-site spent fuel storage capability until at least 2008 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through rod consolidation, dry cask storage, or other technology as it becomes available. In addition, there is sufficient on-site storage capacity over the life of Summer Nuclear Station to permit storage of the entire reactor core in the event that complete unloading should become desirable or necessary for any reason.

The Nuclear Regulatory Commission (NRC) has published final regulations on decommissioning of nuclear facilities that require a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In order to comply with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. A site-specific decommissioning study was completed in 1991 indicating approximately \$76,266,000 (the Authority's one-third share) in 1990 dollars will be required to decommission Summer Nuclear Station. 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. Decommissioning costs are included on the balance sheet in deferred credits and other non-current liabilities.

In addition to providing for the minimum requirements imposed by the NRC, the Authority established in 1983 an internal decommissioning account. Based on the current site-specific decommissioning study, these funds, which totalled approximately \$20,819,000 at December 31, 1992, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

SCE&G has determined that the Summer Nuclear Station steam generators must be replaced due to stress corrosion cracking. SCE&G estimates replacement of the steam generators will cost approximately \$156 million, of which the Authority's share will be approximately \$52 million, exclusive of the Authority's indirect costs. Replacement of the generators is scheduled for 1994. SCE&G has filed suit against the manufacturer of the generators seeking damages for the replacement of the generators. The ultimate outcome of the claim cannot be determined at this time, accordingly no benefit has been recorded in the financial statements.

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 which approximated \$16,572,000, were recorded as deferred credits. During the three prior refueling

outages, deferred credits and related interest were used to offset additional fuel costs associated with replacement energy during the refueling outages. The remaining deferred credits of \$379,000 will be used during the scheduled refueling outage in 1993.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of \$150,000,000 annually for fifteen (15) years based on enrichment services to date. Based on an estimate from SCE&G covering the fifteen years, the Authority at December 31, 1992, recorded its one-third share of the liability, which totalled \$3,529,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the balance sheet in deferred credits and other non-current liabilities.

The maximum liability for public claims arising from any nuclear incident has been established at \$7.8 billion by the Price-Anderson Indemnification Act. This \$7.8 billion would be covered by nuclear liability insurance of up to \$200 million per site, with any additional liability covered by retrospective assessments of up to \$66.15 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$10 million per incident per year). Based on its one-third interest in Summer Nuclear Station, the Authority would be responsible for the maximum assessment of \$22.05 million, not to exceed approximately \$3.3 million per incident, per year. This amount is subject to further increases to reflect the increase of (i) inflation, (ii) the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL) \$500 million primary and \$1.325 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the excess policy, SCE&G and the Authority could also be assessed a retroactive premium, not to exceed 7.5 times the annual premium, in the event of property damage to any nuclear generating facility covered by NEIL. Based on the current annual premium and the Authority's one-third interest, the Authority's maximum retroactive premium would be \$1.9 million.

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

#### NOTE 9 - LEASES:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from three to twenty-three 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 options to purchase the leased properties at any time during the



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

Future minimum lease payments on Central leases, at December 31, 1992 were:

| Years ending December 31:                 | Amount<br>(Thousands) |
|---|-----------------------|
| 1993 .....                                | \$ 5,259              |
| 1994 .....                                | 5,240                 |
| 1995 .....                                | 5,233                 |
| 1996 .....                                | 5,228                 |
| 1997 .....                                | 5,229                 |
| Thereafter .....                          | 51,601                |
| Total minimum lease payments .....        | 77,797                |
| Less, amounts representing interest ..... | 21,977                |
| Balance at December 31, 1992 .....        | \$ 55,820             |

Property under capitalized leases and related accumulated amortization included in utility plant at December 31, 1992, totalled \$100,995,000 and \$54,491,000, respectively, and at December 31, 1991, totalled \$101,400,000 and \$51,900,000, respectively.

Operating lease payments during the years ended December 31, 1992, 1991, and 1990 totalled \$1,021,000, \$1,431,000, and \$1,159,000, respectively.

#### **NOTE 10 - CONTRACT WITH CENTRAL ELECTRIC POWER COOPERATIVE, INC.:**

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. The Authority will be the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

#### **NOTE 11 - COMMITMENTS AND CONTINGENCIES:**

**Budget** - The Authority's capital budget provides for expenditures of approximately \$392,400,000 during the year ending December 31, 1993, and \$387,100,000 during each of the two years thereafter. These projects will be financed by internally generated funds and additional borrowings.

**Future Generation** - The Authority's Board of Directors has approved the construction of a second 540-megawatt coal-fueled electric generating unit at the Cross Plant with power generation to begin no later than May 1995.

The estimated cost of construction is expected to total approximately \$484.0 million which includes \$441.5 million for the generating unit, \$25.9 million for related transmission

facilities, \$9.3 million for coal cars, and \$7.3 million for the initial coal stockpile.

**Purchase Commitments** - The Authority has contracted for long-term coal purchases under contracts with outstanding minimum obligations at December 31, 1992 as follows:

| Years ending December 31: | Amount<br>(Thousands) |
|---------------------------|-----------------------|
| 1993 .....                | \$ 130,659            |
| 1994 .....                | 120,875               |
| 1995 .....                | 120,875               |
| 1996 .....                | 120,875               |
| 1997 .....                | 120,875               |
| Thereafter .....          | 354,960               |
| Total .....               | \$ 969,119            |

The Authority's outstanding minimum obligations under existing purchased power contracts as of December 31, 1992, were approximately \$139.7 million. The terms of the contracts range from 3 to 43 years.

The Authority has commitments for 1993 of approximately \$3.5 million under the joint ownership agreement with SCE&G for the purchase, conversion, enrichment, and fabrication of uranium.

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

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxide. While the legislation contains a number of new restrictions, the most significant new requirements, relating to acid precipitation, would not begin to impact the Authority until the year 2000.

Under the Clean Air Act, among other things, specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fueled generating units will be required in two phases. In general, Phase I compliance must be implemented by January 1, 1995, and Phase II compliance by January 1, 2000. Specific regulations, rules, and procedures for implementing the Clean Air Act are currently being promulgated by the EPA. The Authority believes that, based on its review of the Clean Air Act, the Clean Air Act will not materially affect the Authority's operations until after 1997.

**Energy Policy Act of 1992** - The Energy Policy Act of 1992 (Energy Act) promotes energy efficiency, alternative fuel use, and increased competition for electric utilities and will have a significant impact on the utility industry. Under the Energy Act, Independent Power Producers (IPPs) are allowed access to a utility's transmission lines to sell their electricity to other utilities, thus enhancing their incentive to build generation plants for the utility's large industrial and commercial customers. At this time, the Authority is not able to determine what impact open transmission access will have on the financial results of the Authority.

**NOTE 12 - RETIREMENT BENEFITS:**

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 December 31, 1992, 1991, and 1990, was \$61,558,000, \$57,125,000, and \$53,355,000, respectively.

Vested employees who retire at age 65 or with 30 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55. The System also provides death and disability benefits. Benefits are established by state statute.

Employees are required by state statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for each of the years ended December 31, 1992, 1991, and 1990 was \$4,742,000, \$4,449,000, and \$4,109,000 from the Authority and \$3,689,000, \$3,431,000, and \$3,198,000 from employees.

An actuarial valuation is performed for the System annually. At the most recent valuation date, June 30, 1992, the pension benefit obligation for retired and active members was approximately \$11.5 billion. The amortized cost of assets of the System was approximately \$8.4 billion. The unfunded pension obligation was approximately \$3.1 billion. The pension benefit obligation is a standardized 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 one and a half 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, 1992, Comprehensive Annual Financial Report.

The Authority also provides deferred compensation benefits to certain employees who are eligible to retire with ten years of service and have reached the age of 50. The cost of these benefits is accrued on an actuarially determined basis. As of December 31, 1992, there were 29 active participants and 22 retirees. The accrued liability at December 31, 1992 and 1991 was approximately \$2,956,000 and \$2,676,000, respectively.

**NOTE 13 - OTHER POST-RETIREMENT BENEFITS:**

The Authority provides certain health, dental, and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 30 years of service or at age 60 with at least 20 years of service. Currently, approximately 230 retirees meet these requirements. The cost of the health, dental, and life

insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 1992, 1991, and 1990, these costs totalled \$371,000, \$329,000, and \$279,000, respectively.

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

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. These costs are carried as a deferred debit and a liability on the balance sheet and will be recovered through rates as they are paid.

**NOTE 14 - CREDIT RISK AND MAJOR CUSTOMERS:**

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

Sales to two major customers for the years ended December 31, were:

|   | 1992        | 1991       | 1990       |
|---|-------------|------------|------------|
|   | (Thousands) |            |            |
| Central                                       | \$ 236,000  | \$ 242,000 | \$ 225,000 |
| Alumax of South<br>Carolina, Inc.<br>(Alumax) | \$ 82,000   | \$ 88,000  | \$ 84,000  |

During calendar years 1988 through 1990, Alumax received rate relief of \$4.4 million which is subject to repayment if the monthly price of aluminum is \$.72 per pound or more as stated in 1986 dollars. Alumax is not eligible for any additional rate relief. On December 31, 1993, Alumax's obligation to repay such rate relief will end.

Subsequent to year end, Alumax has announced a 20 percent temporary reduction in production at their plant served by the Authority. The Authority does not believe the impact of this item will be material.

**NOTE 15 - STORM DAMAGE:**

On September 21, 1989, the Authority's system was substantially damaged by Hurricane Hugo. Through December 1992, the Authority has incurred costs of approximately \$22.4 million to repair and replace damaged facilities and systems. Substantially all such costs have been funded by insurance proceeds and Federal Emergency Assistance grants.

The Authority does not expect to increase rates due to the impact of Hurricane Hugo and foresees no measurable long-term impact on its operations or the demand for electricity by its customers.