South Carolina Electric & Gas Company
1983 Annual Report

About The Company

South Carolina Electric & Gas Company is an investor-owned utility involved in the generation, transmission and distribution of electricity and in the purchase, transmission and distribution of natural gas. The Company also provides bus service in the metropolitan areas of Columbia and Charleston.

The Company has approximately 366,400 retail electric customers in its service area, which encompasses about half of South Carolina. The Company also sells electricity to five cooperatives, three municipalities and one public power body which, in turn, resell the electricity to their customers.

Natural gas is sold directly to some 187,600 retail customers and indirectly to another 85,000 customers who purchase natural gas from the Company's eleven wholesale customers. The Company's natural gas service area covers more than 80% of South Carolina. The Company also sells propane gas to approximately 4,200 retail customers.

Annual Meeting

The Company will hold its 1984 Annual Meeting of Stockholders at 10:00 a.m. on Wednesday, April 25, 1984 at Seawell's at the Fairgrounds, 1200 Rosewood Drive in Columbia, South Carolina. Proxies will be mailed to our common stockholders in March. Stockholders who are unable to attend the Annual Meeting should return their proxy promptly by mail.

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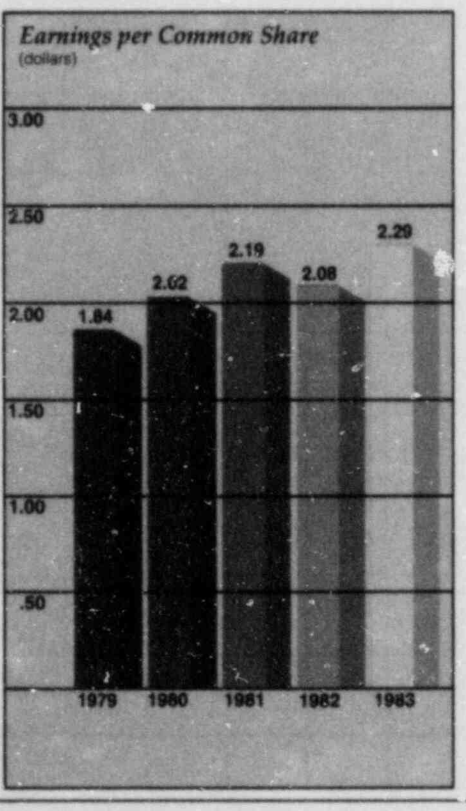
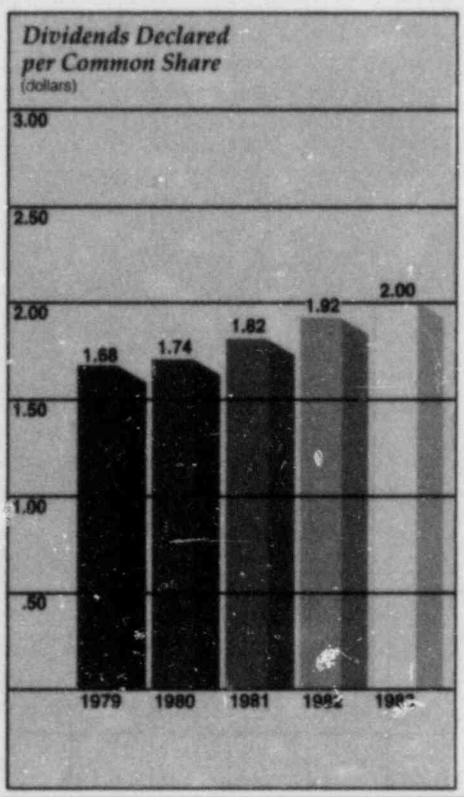
ABOUT THE COVER: V. C. Summer Nuclear Station, located near Jenkinsville, South Carolina, commenced commercial operation January 1, 1984. Summer Station, a 900,000 kilowatt electric generating facility, is jointly owned by SCE&G and the South Carolina Public Service Authority.

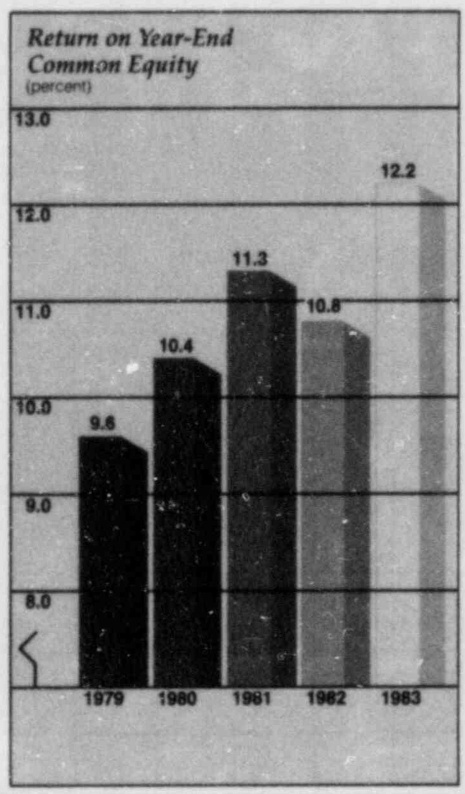
Financial And Operating Highlights

	1983	1982	% Increase (Decrease)
	(Millions of Dollars except statistics and per share amounts)		
Financial			
Earnings Per Share of Common Stock	**$ 2.29**	$ 2.08	10.1
Dividends Declared Per Share of Common Stock	**$ 2.00**	$ 1.92	4.2
Total Operating Revenues	**$ 974.7**	$ 843.1	15.6
Total Operating Expenses	**$ 824.8**	$ 703.4	17.3
Earnings Available for Common Stock	**$ 86.8**	$ 71.4	21.6
Common Stock Outstanding:			
Average (Thousands)	**37,844**	34,387	10.1
Year-End (Thousands)	**38,728**	36,526	6.0
Construction Expenditures	**$ 181.7**	$ 200.1	(9.2)
Gross Utility Plant	**$ 2,509.6**	$ 2,411.5	4.1
Common Stockholders' Equity	**$ 709.9**	$ 659.1	7.7
Book Value Per Share of Common Stock (Year-End)	**$ 18.33**	$ 18.05	1.6
Electric Operations			
Electric Operating Revenues	**$ 634.1**	$ 574.1	10.5
Sales (Million KWH)	**12,063**	11,490	5.0
Customers (Year-End)	**366,424**	356,709	2.7
Generating Capability—Net MW (Year-End)	**3,359**	3,359	—
Territorial Peak Demand — Net MW	**2,700**	2,463	9.6
Gas Operations			
Gas Operating Revenues	**$ 337.3**	$ 266.4	26.6
Sales (Thousand Therms)	**671,429**	590,257	13.8
Customers (Year-End)	**187,638**	186,320	.7
Transit Operations			
Transit Operating Revenues	**$ 3.3**	$ 2.6	26.9
Revenue Passengers Carried (Thousands)	**9,744**	10,720	(9.1)

Note: Includes transactions of Carolina Energies, Inc. since April 1, 1982.







Fellow Shareholders:

We are pleased to present this report of operations of South Carolina Electric & Gas Company and the achievements of 1983 that establish a strong foundation for its future progress. The Company's financial condition registered improvements during 1983. Earnings per common share increased 10% to $2.29. At its January 1984 regular meeting, the Board of Directors raised the dividend per common share to an indicated annual rate of $2.05, marking the 31st year of the last 32 that our dividend rate has been increased.

Our newest electric generating facility, the V. C. Summer Nuclear Station, reached 100% reactor power on June 10, 1983 and was placed in commercial operation January 1, 1984. This plant is consistently meeting or surpassing industry and regulatory standards, setting the benchmark for its future operation.

We were pleased to see the Company's successful efforts toward greater efficiency recognized in two significant ways in 1983. The nationally known firm of Cresap, McCormick and Paget, Inc. cited efficiency and economy as strengths of SCE&G in its report issued at the completion of an eight-month management audit mandated by the South Carolina Public Service Commission. In the generally laudatory report, the auditors cited as benefits to our customers effective top management decisions, staff reductions, innovative approaches to securing nuclear fuel, sound strategic and operational planning and implementation of management systems and procedures. A number of recommendations for improvement have been implemented or are already under review by your management.

Further, our 1982 system heat rate was recognized by *Electric Light & Power* magazine, which ranked SCE&G third in the nation in its 1983 survey

Virgil C. Summer and John A. Warren

of thermal efficiency of the top 100 investor-owned utilities.

The Company continued its efforts in 1983 to hold the line on personnel and administrative costs through continuation of a hiring freeze, implementation of an early retirement incentive program resulting in estimated annual savings of about $5 million, overtime restrictions and the addition of 150,000 man-hours per year at no extra cost through use of a uniform 40-hour work week.

We have completed the move into our new corporate headquarters and expect higher levels of employee productivity to result from the consolidation of offices previously housed at thirteen different locations.

The consolidation of our gas operations continued during the year. The Company aggressively sought to compete with lower-priced alternatives to natural gas in industrial markets and recovered some of the market previously lost. During 1984 we will seek to continue to improve our gas operations by further developing our customer base through an extensive marketing program.

In another major efficiency move, construction remains on schedule as we convert our 580 megawatt Williams Station from an oil-fired to a coal-fired plant. This project will be completed by the summer of 1984 and is expected to save our customers millions of dollars in fuel costs over the life of the plant.

Hearings were held by the South Carolina Public Service Commission in January 1984 on the Company's request for an electric rate increase to cover the operating and capital costs associated with Summer Station's

commercial operation. A decision is expected in March. A previous electric rate order from the PSC was appealed by the Company in 1983. In February 1984 the South Carolina Circuit Court remanded that order to the PSC for further consideration.

During 1983 the South Carolina Legislature substantially changed the statutes which govern the regulation of public utilities. The new statute eliminated the practice of placing rates in effect under bond pending a decision of the Commission. Furthermore, a utility must now wait at least twelve months after its last application before making a new filing for a rate increase. In addition, the PSC must now render a decision within six months and five days of the Company's application. These changes in regulation are of concern because they limit the Company's opportunity to react in a timely manner to adverse economic conditions beyond its control.

As part of our strategic planning process, we have put in place an issues management program to increase the public's understanding of the Company, its operations and its mission. We have developed a comprehensive marketing plan and have placed renewed emphasis on human resources in the Company, establishing additional quality training and evaluation programs. We are committed to fulfilling our social responsibilities by remaining sensitive to the needs of the elderly, handicapped and other customers with special needs.

We welcome two new directors elected at the annual meeting of stockholders in April 1983. Dr. Henry Ponder, president of Benedict College, and W. Hayne Hipp, president and chief executive officer of The Liberty Corporation, fill vacancies created by the retirement of Directors Francis M. Hipp and Oscar S. Wooten. The Board regrets the death in August of Director Emeritus W. J. Ready.

A renewed sense of confidence is evident throughout our service area. Unemployment has fallen sharply and prospects for continued industrial development look bright. We have the facilities in place and the commitment of our employees to meet the opportunities of what we anticipate will be an exciting and rewarding future.

Sincerely,

Virgil C Summer

VIRGIL C. SUMMER
Chairman of the Board and
Chief Executive Officer

John A Warren

JOHN A. WARREN
President and
Chief Operating Officer

February 15, 1984

Financial Results

1983 In Review

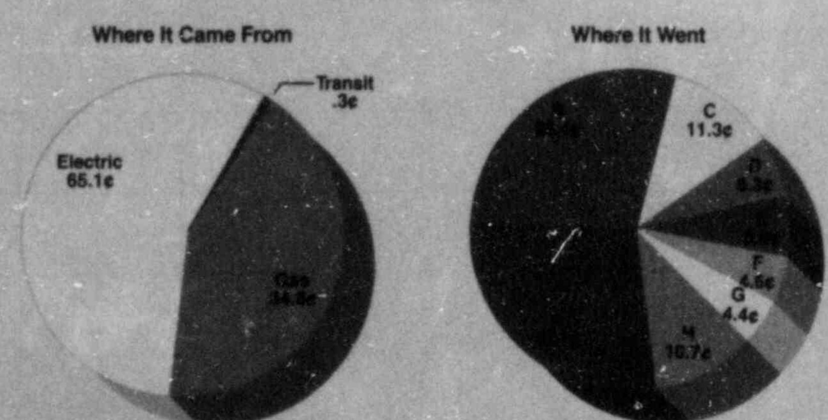
Earnings and Dividends Earnings available for common stock in 1983 totaled $86.8 million, or $2.29 per share based on an average of 37.8 million shares outstanding, as compared to $71.4 million, or $2.08 per share based on an average of 34.4 million shares outstanding for 1982.

The Company reduced its previously reported 1982 earnings from $2.32 to $2.08 per share due to the July 1983 rate order of The Public Service Commission of South Carolina (PSC). In that order, the PSC approved only 39.6% of a requested $86.2 million retail electric rate increase which the Company had placed in effect, subject to refund, in August 1982. The Company appealed that decision to the South Carolina Circuit Court, which on February 6, 1984 directed the PSC to reconsider, among other things, the rate of return on common equity granted to the Company. Earnings reported for 1983 reflect only the revenues generated by rates as approved by the PSC (see Note 2B to the Consolidated Financial Statements).

The improvement in 1983 earnings was due to higher electric and natural gas sales caused by a recovering economy in the service area, and weather which was more extreme than in 1982. Further, retail electric rates which were increased in the fall of 1982 were in effect for the entire year of 1983. The Company's 1983 earnings provided a return on year-end common equity of 12.2%, up from 10.8% as restated at year-end 1982. A detailed review of sales, revenues and expenses for 1983 is included in "Management's Discussion and Analysis of Financial Condition and Results of Operation" beginning on page 32.

Chart 1

SCE&G's 1983 Revenue Dollar
(cents per dollar of revenue)



	Electric	Gas
Residential	25.5¢	6.9¢
Commercial	16.7¢	5.6¢
Industrial	17.2¢	15.3¢
Sales for Resale	3.7¢	6.8¢
Other	2.0¢	–
Total	65.1¢	34.6¢

A Fuel for electric generation and net purchased and interchange power
B Gas purchased for resale
C Taxes
D Payroll
E Other operating and maintenance expenses
F Depreciation and amortization
G Interest expense and other income, net
H Dividends for investors, and retained earnings

Regulation and Rate Activity In June 1983 the South Carolina General Assembly enacted legislation that significantly changed utility regulation in the state. The practice of placing utility rate increases in effect, subject to refund, prior to issuance of a final order by the PSC was ended. However, a utility is not prohibited from putting a requested rate increase in effect, subject to refund, during an appeal of a PSC rate order. The maximum length of time in which the PSC is required to issue a final order on an electric utility rate increase application was shortened from thirteen months to six months and five days. With the elimination of the ability to put rates in effect, subject to refund, one month after filing, regulatory lag which will be experienced by the Company in placing rates in effect was increased by five months.

The new law requires utilities to give at least 30 days notice to the PSC before filing a rate increase application. A utility's request for higher electric rates cannot be filed within twelve months of its most recent filing date for increased electric rates. A similar twelve month waiting period between filing dates exists for natural gas and transit rate increase applications. Another feature of the new law authorizes procedures previously followed by the PSC for the recovery of electric fuel costs, including semi-annual fuel hearings.

The Company's rate-making philosophy is to request rates which cover the reasonable costs, including the cost of capital, of providing safe and reliable service to its customers. The following table summarizes the rate activity of the Company for 1983.

Type of Service	Company Request: Date Filed	Company Request: Annual Amount *(millions)*	Company Request: Return on Common Equity	Commission Decision: Effective Date	Commission Decision: Annual Amount *(millions)*	Commission Decision: Return on Common Equity
Retail Electric	7/1/82	$86.2	16.75%	8/1/83	$34.1	13.2%(1)
Retail Natural Gas	6/13/83	$11.4	16.00%	9/28/83	$ 7.5	14.25%
Wholesale Electric	4/29/83	$15.9	16.75%		Pending	
Retail Electric	9/6/83	$169.9(2)	16.00%		Pending	

(1) Appealed to the South Carolina Circuit Court and remanded to the PSC.
(2) If the effect of approximately $52 million disallowed in a previous rate proceeding currently in litigation is excluded, the amount of the rate increase requested would be approximately $118 million.

For further information, see Note 2 to the Consolidated Financial Statements.

Construction and Financing Program As shown in the following table, cash expenditures for construction in 1983 amounted to $133.5 million, down 13% from 1982 and the lowest annual expenditure level since 1980 (see Chart 2). The reduction was due mainly to the windup of construction at the V. C. Summer Nuclear Station.

	Cash Requirements (Millions of Dollars) 1983	1982	% Increase (Decrease)
Construction Expenditures (Excl. AFC):			
Electric	**$116.8**	$140.9	(17)
Gas	**14.3**	10.7	34
Transit and Other	**2.4**	2.5	(4)
Total Construction Expenditures	**133.5**	154.1	(13)
Maturing Securities and Sinking Funds	**32.2**	100.6	(68)
Acquisition of Carolina Energies, Inc.	**—**	69.3	(100)
Total Cash Requirements	**$165.7**	$324.0	(49)

The decline in total cash requirements and an increase in internally generated funds resulted in a significant decrease in the Company's external financing requirements during 1983 (see Chart 2). As a result, the Company was not required to sell any long-term debt, preferred or common stock through a public offering during the year. The Company's external financing requirements were met through the issuance of approximately 2.2 million shares of common stock to participants in the Company's dividend reinvestment plan and employee stock purchase plans. Short-term capital needs were satisfied through the sale of commercial paper.

The Company anticipates that the majority of its total cash requirements during 1984 will be met through the sale of pollution control bonds. Common stock issued through the Company's dividend reinvestment plan and employee stock purchase plans and internally generated funds will provide the balance. The Company anticipates that short-term capital needs will be satisfied through bank lines or the sale of commercial paper by the Company and its fuel subsidiary.

At year-end 1983 the Company had increased the equity component of its total capital structure to 42%, up from 39% in 1982 (see Chart 3). Fixed charges coverage, another important measure of a company's financial condition, improved to 2.82 times in 1983, up from 2.34 times in 1982 (see Chart 4). The Company's long-term objective is to achieve and maintain a fixed charges coverage ratio of at least 3.5 times.

Chart 2

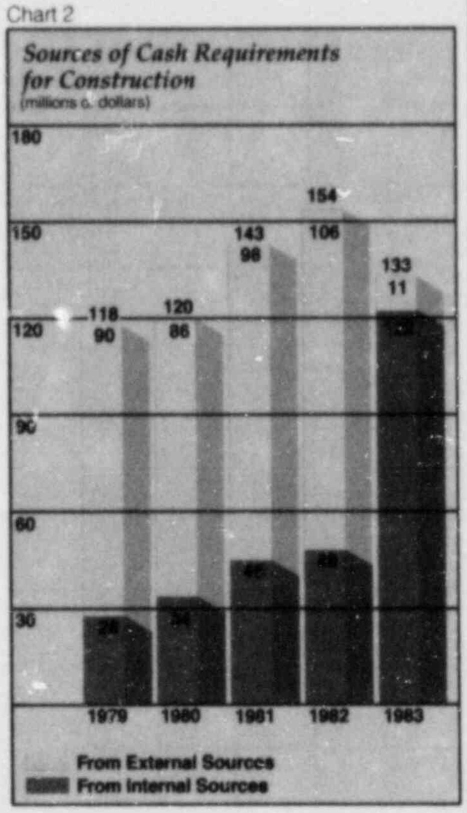


Chart 3

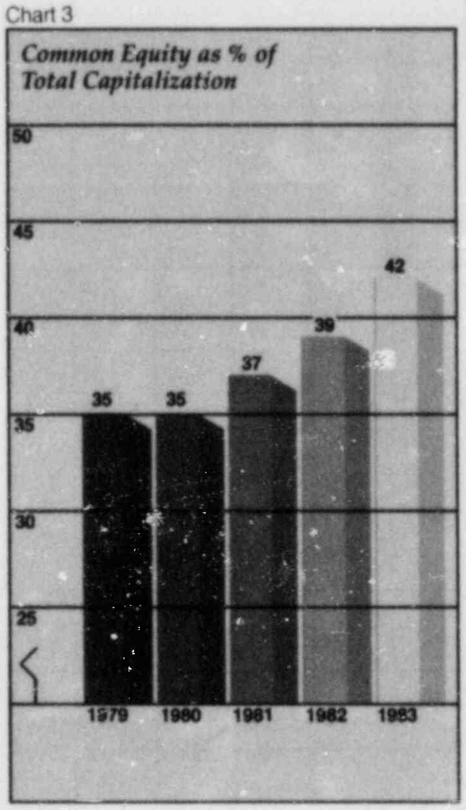
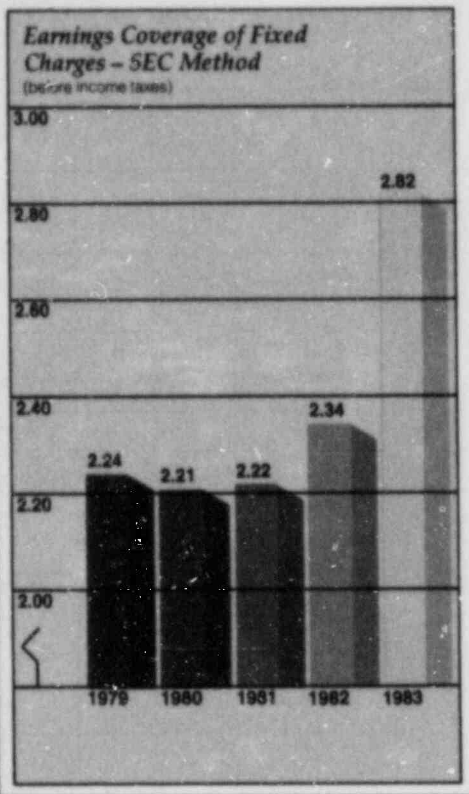


Chart 4



SCE&G's animated Captain Volt series of advertisements has been well received as an effective vehicle in teaching children about electric safety.

Interactive exhibits are an educational highlight for hundreds of tour groups visiting the Nuclear Training Center located near the V. C. Summer Nuclear Station.

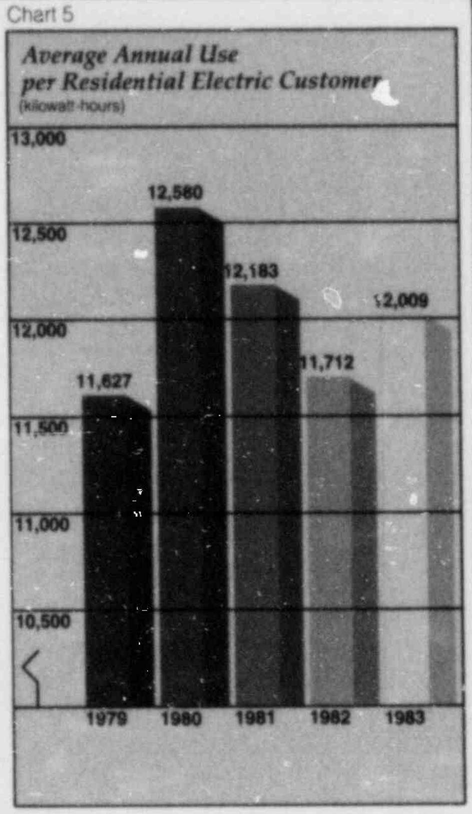
Electric Operations

Sales and Customers Sales of electricity in 1983 totaled 12.1 billion kilowatt-hours (KWH), up 5% over 1982. The higher sales were due primarily to improved economic conditions and the hottest, driest summer since 1954. Sales of electricity and number of customers by class are shown in the following table:

	Sales of Electricity (Millions of KWH)			Number of Customers (Year-End)		
Customer Class	1983	1982	% Increase	1983	1982	% Increase (Decrease)
Residential	**3,787**	3,620	4.6	**319,808**	311,919	2.5
Commercial	**2,949**	2,855	3.3	**43,703**	41,885	4.3
Industrial	**4,151**	3,898	6.5	**809**	811	(.2)
Sales for Resale	**818**	771	6.1	**11**	13	(15.4)
Other	**358**	346	3.5	**2,093**	2,081	.6
Total	**12,063**	11,490	5.0	**366,424**	356,709	2.7

At year-end 1983 the Company was serving 366,424 electric customers, a 2.7% increase over 1982. Current projections indicate that the Company's total electric customer base will grow at an average annual rate of 1.7% through 1988. Total sales of electricity are projected to increase 2.9% annually during the same period. Average annual use of electricity by the Company's residential customers rose from 11,712 KWH in 1982 to 12,009 KWH in 1983 (see Chart 5).

Chart 5



Nuclear Operations On January 1, 1984 the V.C. Summer Nuclear Station began commercial operation, culminating more than ten years of construction, licensing activities and testing. Summer Station was built in conjunction with the South Carolina Public Service Authority, which is responsible for one-third of the plant's construction and operating costs and receives one-third of the plant's 900 megawatt (MW) output. The total completed cost of Summer Station, including allowance for funds used during construction, is approximately $1.3 billion, or about $1,426 per kilowatt. The Company's share of that cost is approximately $851 million.

In November 1982 the Company received a full-power operating license for Summer Station from the Nuclear Regulatory Commission (NRC). The license restricted initial operations to 50% of total power until correction of a potential vibration problem in the plant's three steam generators that could have caused interior tubes to wear prematurely. In the spring of 1983, the plant was shut down for two months while the generators were modified by their supplier to correct this design problem. The plant achieved 100% of reactor power on June 10, 1983. It operated at or near that level until it was taken out of service on November 23. At that time, plant personnel verified that the supplier's modification had been successful, and that no unusual wear had occurred on the tubes inside the steam generators. The unit resumed normal operations on December 14. A two-week outage is scheduled in the spring of 1984 for maintenance and NRC surveillance tests. The first refueling outage is scheduled in the fall of 1984.

The performance of Summer Station during 1983 was well above the industry average in every category, notwithstanding the initial power limitation and the three months of outage for the steam generator modifications and inspection. The unit achieved each plateau in the power escalation and start-up program in a shorter time period than the average of the nine most recent nuclear units of similar design. A 1983 capacity factor of 54.9% and a unit availability of 71.2% reflected above-average performance for a new unit.

Graduates of the SCE&G Nuclear Operator Training Program have achieved an operator licensing success rate in excess of 90%. During 1983 the Company's nuclear operations experienced a personnel turnover rate of less than 5%. This rate compares very favorably to the general industry rate for nuclear units.

The Company recently enhanced its nuclear operator training program with the addition of a simulator which duplicates the control room and system response at Summer Station. It will be used in the training of operators and other technical support personnel.

During 1983, both the NRC and the PSC-selected management audit team reviewed the Company's nuclear operations. Each audit cited the Company for above-average performance in specific areas, and contained very few recommendations for improvement. The achievements made by management and operations personnel at Summer Station have been recognized throughout the nuclear industry.

Installation of the control room simulator in the Nuclear Training Center was completed in 1983 and allows comprehensive hands-on experience for plant operators.

This stacker and reclaimer is part of the coal handling equipment installed in the conversion of Williams Station from oil-fired to coal-fired operation.

Coal Conversion The Company is converting the ten year-old, 580 MW Williams Station from oil to coal-fired operation. The conversion began in November 1982 and should be completed by June 1984. Although Williams Station is the Company's newest and most efficient fossil-fueled steam plant, it has operated infrequently in recent years due to the high cost of residual (No. 6) fuel oil. Contractors are converting the plant under a $118 million fixed-sum, turn-key contract. Payment for the conversion is not due until December 31, 1984 or final acceptance of the plant from the contractors, whichever comes later.

The Company expects the conversion to save its electric customers millions of dollars in fuel costs over the remaining life of the plant. The plant can be switched from coal back to oil operation within a short period of time should conditions warrant such a change. After its conversion, the Company will utilize Williams Station as a base-load generating plant, thereby improving the Company's overall generating and transmission efficiency.

Peak Demand Territorial peak demand is the maximum requirement for electricity placed on the Company's electric generating system by its customers (excluding other utilities) during any one-hour period. The 1983 peak occurred on August 22 during a period of sustained hot weather throughout the Company's service area. On that day, customer demand reached an all-time record peak of 2,700 MW, up 9.6% over the 1982 summer peak. During the previous five years, the territorial peak demand had grown at an average annual rate of 2.1% (see Chart 6).

The Company bases its plans for the construction of new electric generating facilities on the projected growth in the annual territorial peak demand. We currently expect this demand to grow at a 2.5% average annual rate through 1993. The Company presently anticipates that no additional base-load generating capacity will be needed until the early 1990's.

Generating Resources When the V. C. Summer Nuclear Station began commercial operation on January 1, 1984, the Company's peak generating capability rose by 18% to 3,959 megawatts. Four coal-fired plants represent 42% of that capability, 17% is in two oil-fired units, 19% in six hydroelectric units, and 15% in one nuclear unit. The remaining 7% is made up of sixteen internal combustion turbines and one combined cycle generator which burn either No. 2 fuel oil or natural gas. When conversion of Williams Station from oil to coal-fired operation is completed in mid-1984, oil-fired units will represent only 2% of the Company's generating capability.

In 1983, coal-fired generation provided 71% of the Company's total generation, nuclear power 22% and hydroelectric sources 7% (see Chart 7).

Chart 6

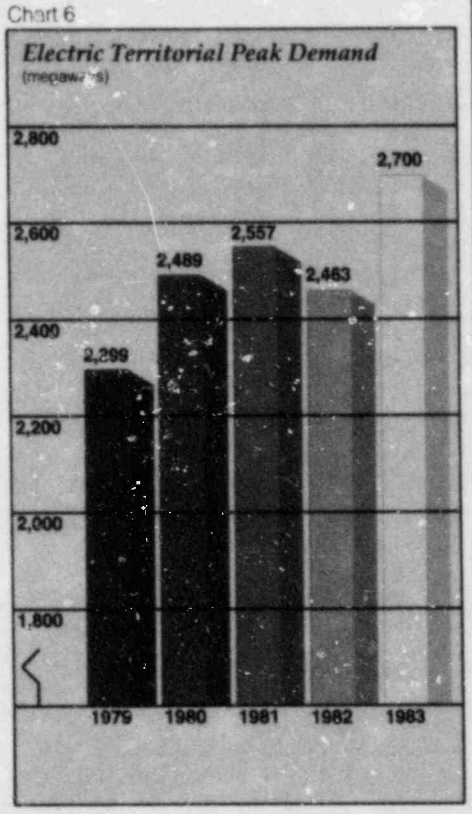
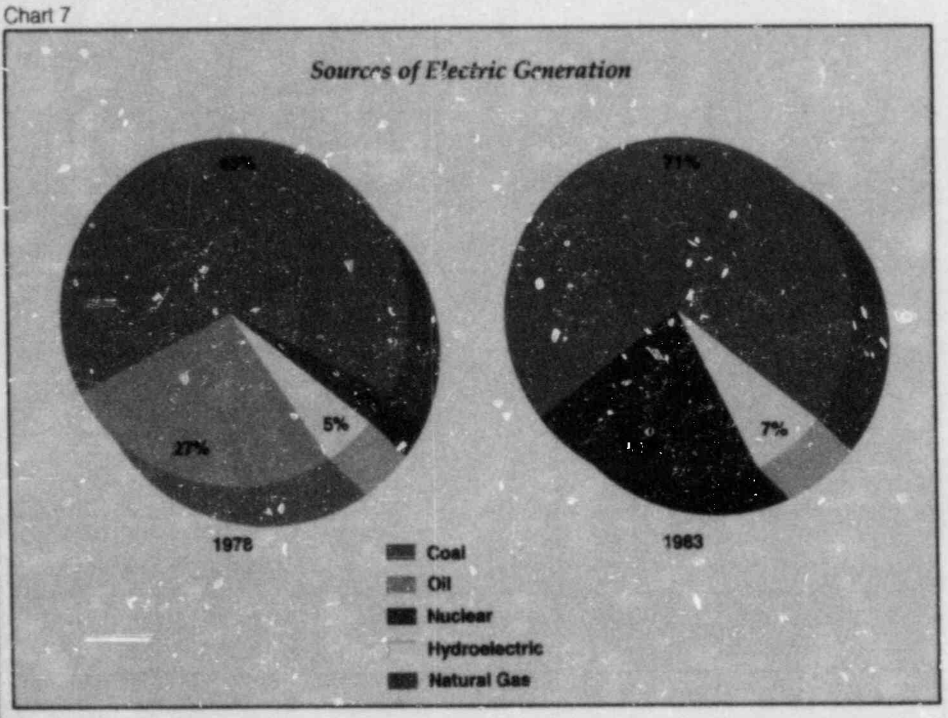


Chart 7



Biologists and health physicists carefully monitor all aspects of the environment to assure that operations at Summer Station meet or exceed federal, state and local regulations.

McMeekin Station contributed greatly to the Company's being ranked third in the nation in the thermal efficiency of its electric generating facilities during 1982.

Figure 1

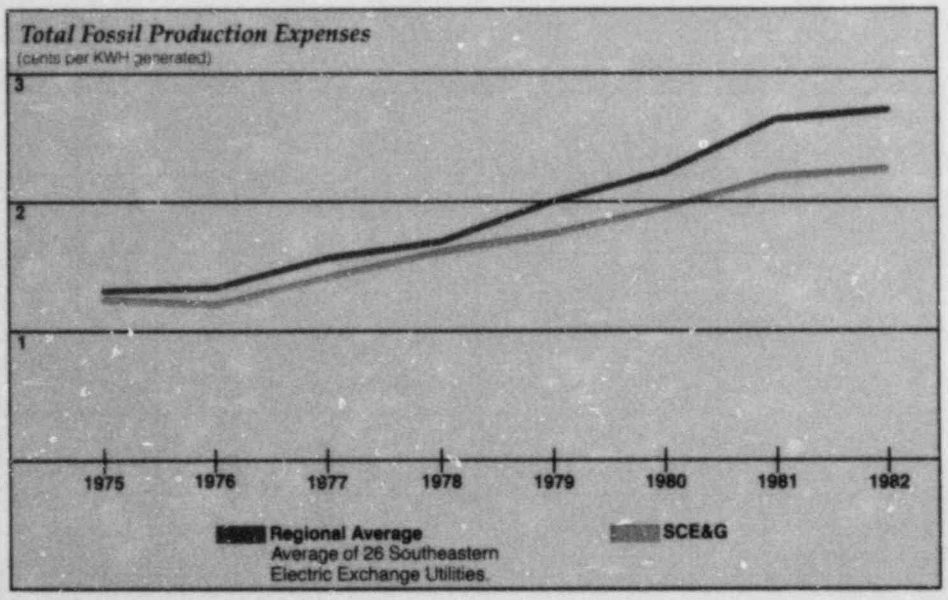
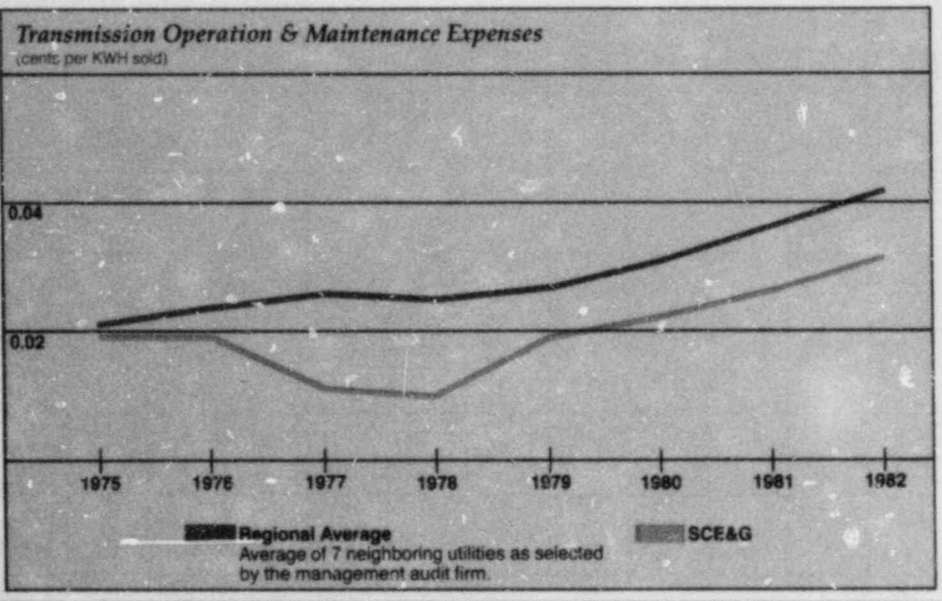


Figure 2



Efficiency South Carolina Electric & Gas Company had the nation's third most efficient fossil-fired electric generating system in 1982, according to the most recent annual survey conducted by *Electric Light & Power* magazine. The Company has ranked in the survey's top ten in six of the previous seven years. The survey compares the heat rates of the nation's 100 largest electric utilities. Heat rate is a standard measure of the efficiency achieved in converting one form of energy, such as coal, oil or natural gas, into another form of energy – electricity.

The 1983 Cresap, McCormick and Paget, Inc. management audit report referred to the Company as a "national leader in power plant production performance" and stated that the "operating performance of the Company's generating plants continues to be superior." The report also commended the Company for having "fossil plant and transmission operating and maintenance expenses well below the average of other southeastern electric utilities" (see Figures 1 and 2).

Owen Electric Steel Company, an electric and natural gas customer of the Company, manufactures reinforcing steel as well as angles and smooth round steel stock.

Fuel Supply During 1983 the Company's coal-fired generating plants consumed a total of 3.5 million tons of coal, a 12.6% decrease from 1982. The weighted average cost of coal burned during the year was $2.06 per million BTU, a 5.6% increase over 1982. At year-end 1983, the Company had a 73-day supply of coal in inventory. The Company has in storage, or under contract, sufficient quantities of nuclear fuel and related services to operate the V. C. Summer Nuclear Station through 1989.

Passage of the Nuclear Waste Policy Act in January 1983 established guidelines and procedures for permanent away-from-reactor storage of high-level nuclear waste. The Act also encouraged utilities to provide, to the maximum extent possible, for their own on-site storage of spent nuclear fuel. The Company responded by committing to expand its storage capability for spent nuclear fuel at Summer Station. High density racks which can store the spent fuel resulting from 25 years of plant operation will be installed in the existing spent fuel storage pool.

Environmental Protection The most significant environmental issue facing electric utilities today is "acid rain." Acid rain is produced by the reaction of natural and man-made pollutants with atmospheric moisture. Rain carries the product of this reaction back to earth. Emissions resulting from the combustion of coal have been identified as a potential cause of acid rain. Although the impact of acid rain has been debated by environmentalists and scientists for many years, it has been only within the last several years that legislation on the national level has been proposed to address this problem.

Various bills dealing with acid rain have been introduced recently in both houses of Congress. The Federal government has been struggling to propose a scientifically, economically and politically defensible solution to the issue. The issue is divisive in various regions of the country, among different industries, and in the scientific community.

SCE&G, through industry groups, has supported legislation which calls for increased research on the causes and impact of acid rain. The Company will continue to stress that legislation should be based on scientific findings and on an appropriate evaluation of costs and benefits. Any legislation requiring substantial reductions in sulphur-dioxide emissions from electric generating plants could result in significant rate increases to our electric customers.

The Company has made and will continue to make substantial investments in pollution control equipment. The Company expects to spend approximately $44 million on pollution control facilities in 1984 and an additional $49 million through 1988.

Conservation and Load Management Programs that promote energy conservation and load management are a key element in the Company's long-range strategy for meeting the future electricity needs of its customers. These programs are geared toward increasing the use of electricity at off-peak periods while minimizing the growth in peak load, thus delaying the need for costly new generating capacity.

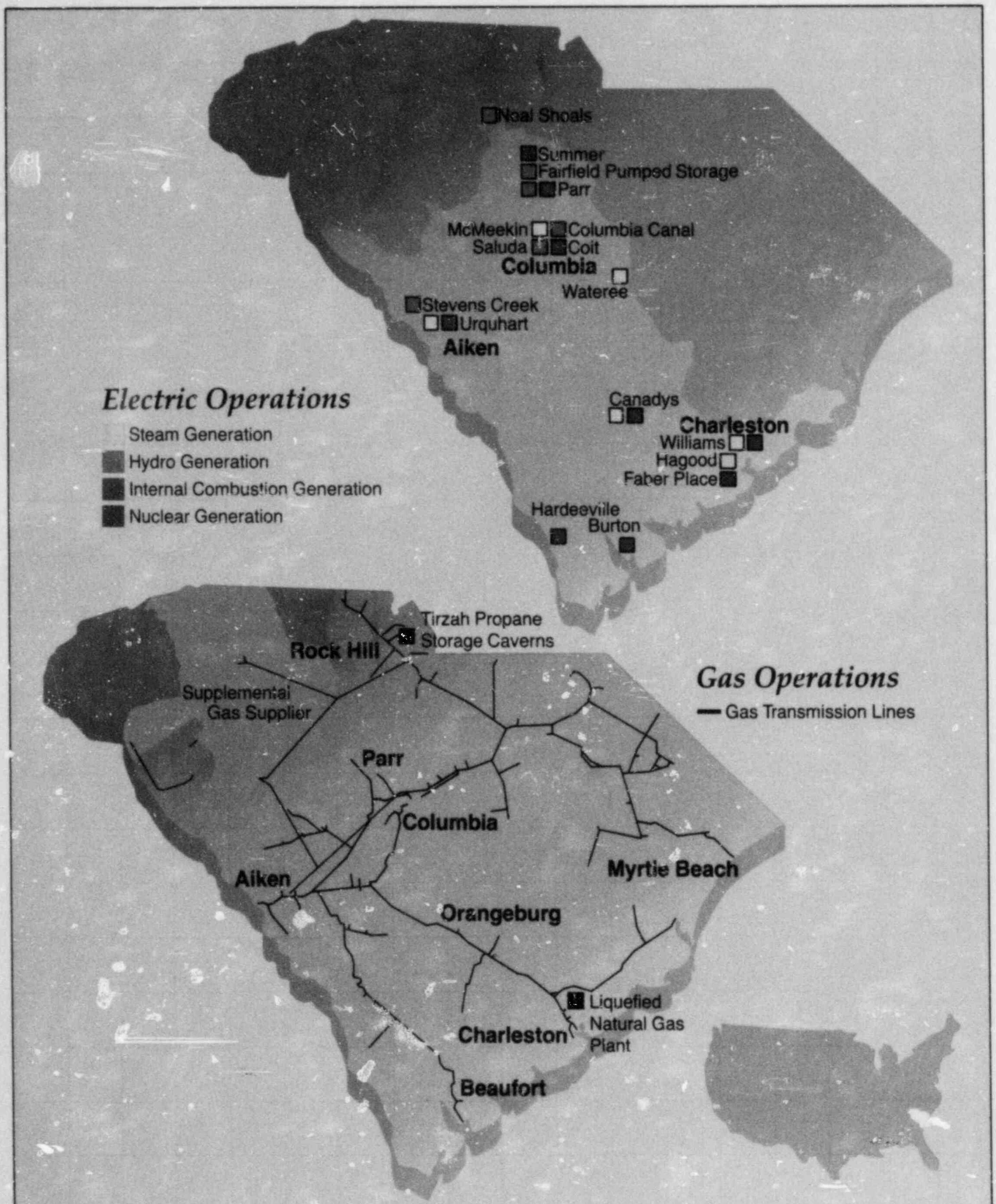
During 1983 the Company's Residential Conservation Services program continued to provide energy conservation assistance and advice to residential customers through home energy audits. For a nominal fee, Company personnel visit customers' homes and suggest specific energy-related improvements which will reduce their energy bills. Since 1981 the Company has completed 3,372 residential energy audits, of which 561 were conducted in 1983. Another 3,892 residential customers requested do-it-yourself audit kits this year. In 1984 the Company will implement the Commercial and Apartment Conservation Service program. This program will offer energy audits to apartments and small commercial customers.

The Company offers two conservation rates to its residential electric customers. The Residential Energy Conservation rate provides a discount to customers whose homes meet stringent construction and insulation requirements. A Residential Time-of-Use rate is available to customers in the metropolitan areas of Columbia and Charleston. This rate promotes energy use management by offering a discount to customers who switch their use of electricity from maximum demand periods to off-peak periods during the day.

The goal of the Company's load management and conservation initiatives is to ensure that an adequate supply of electricity is always available to its customers at the lowest reasonable cost. The efficient utilization of existing generating capacity is in the best interest of both our customers and stockholders.

Completion of larger drive-in facilities at our main business office in Columbia has greatly improved service for customers who pay their bills in person.

Electric And Gas Operations Areas



Gas Operations

Sales and Customers The Company's gas operations made significant progress during 1983. Sales of natural gas by customer class are shown in the following table:

	Sales of Natural Gas (Thousands of Therms)				
Customer Class	**1983**	1982(1)	% Increase	1982 Pro-Forma(2)	% Increase (Decrease)
Residential	**103,497**	95,993	7.8	100,588	2.9
Commercial	**101,932**	94,146	8.3	98,056	4.0
Industrial	**311,423**	280,259	11.1	310,737	.2
Total Retail	**516,852**	470,398	9.9	509,381	1.5
Sales for Resale	**154,577**	119,859	29.0	183,535	(15.8)
Total Sales	**671,429**	590,257	13.8	692,916	(3.1)

(1) Includes sales by Carolina Energies, Inc. from April 1, 1982 (acquisition date).
(2) Includes sales by Carolina Energies, Inc. from January 1, 1982 for comparative purposes only.

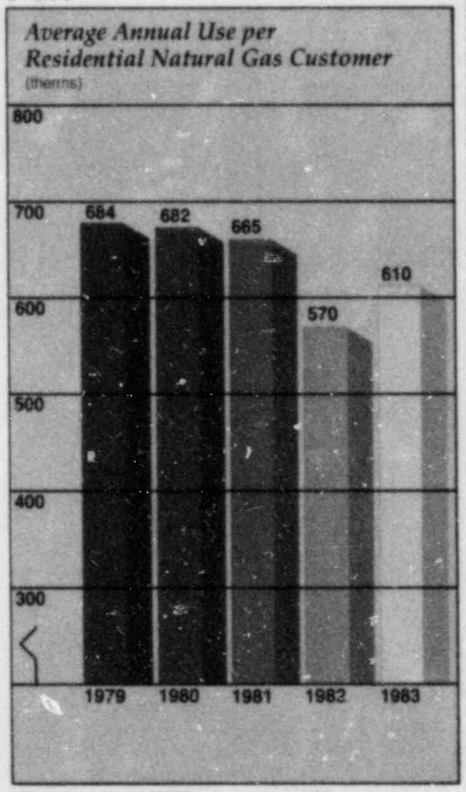
Improved business conditions, innovative marketing and pricing strategies and the first full year of operations on the Company's combined gas system contributed to a 13.8% increase in unit sales. By comparison, gas sales in 1982 were depressed by weak economic conditions and the loss of some industrial customers to lower-priced, alternate fuels.

As a result of the Company's acquisition of Carolina Energies, Inc. (CEI) in April 1982, total gas sales for 1982 include only nine months of operations by CEI. For comparative purposes, the preceding table shows actual gas sales in 1983 and 1982, as well as pro-forma 1982 gas sales which include CEI's first quarter sales. Total sales in 1983 declined 3.1% from the pro-forma 1982 sales, due to a slower recovery of industrial customers who purchase gas from CEI's wholesale (sales for resale) customers.

The Company added 1,318 new gas customers during the year, bringing the total number of customers on the Company's combined system at year-end 1983 to 187,638. The Company indirectly supplied natural gas to more than 85,000 other residential, commercial and industrial customers through its resale customers. The average annual use of natural gas by the Company's residential customers increased for the first time since 1978, from 570 therms in 1982 to 610 therms in 1983 (see Chart 8). Over the five-year period 1984-88, customer growth is projected to average 1.9% annually, while total sales of natural gas are expected to grow at an average annual rate of 2.7%.

Significant potential exists for expansion in the residential, commercial and certain industrial markets in the Company's natural gas service area. During 1983 the Company began an aggressive marketing program designed to attract customers to the Company's natural gas system. This program includes visits to homes, bill inserts and media advertising designed to inform potential customers of the availability of natural gas at competitive prices. The sales efforts are being concentrated toward potential customers on existing distribution mains. The goal of the new program is to increase significantly the number of new customers on the Company's combined natural gas system. As a part of this marketing effort, contract modifications have been made to incorporate competitive fuel clauses in negotiated industrial sales contracts. This action permits the Company to reduce its profit margin on sales to certain industrial customers and thereby remain competitive with the price of alternate fuels.

Chart 8



Operating Efficiency The acquisition of Carolina Energies, Inc. in April 1982 nearly doubled the Company's natural gas service area. The Company's natural gas service area now encompasses more than 80% of South Carolina. The Company's natural gas service area is operationally divided into two sections — the South system represents the area historically served by SCE&G and the North system represents the area served by Carolina Energies, Inc. The combined systems have a balanced load profile. The North system's customer base is heavily weighted toward wholesale and industrial customers, while the South system's customer base is primarily residential.

Since the acquisition, a number of measures have been implemented to improve overall system reliability and operating efficiency. Transmission pipeline operations, gas purchasing and dispatching have been centralized and the two major gas transmission lines have been

interconnected. Other measures, such as reduced use of compressors, installation of central odorization, and the use of propane gas as a motor fuel for service and construction vehicles resulted in substantial cost reductions without any decrease in the quality of service. The PSC-mandated management audit identified the management and operating practices currently being applied to corporate gas activities as one of the Company's most significant strengths.

Supply The Company purchases natural gas under contracts with Southern Natural Gas Company (Southern) and Transcontinental Gas Pipeline Corporation (Transco). The volume of gas which the Company is entitled to receive under these contracts is shown in the following table:

Supplier	Company System	Maximum Daily Contract Demand (MCF)
Southern	South	165,439
Southern	North	45,461
Transco	North	29,300
Total		240,200

These quantities are subject to curtailment plans approved by the Federal Energy Regulatory Commission. However, during each of the last two years full contract gas volumes were available when needed. The Company expects to have ample supplies of natural gas for the future.

To meet the requirements of high priority natural gas customers during periods of maximum demand, the Company supplements its supplies of natural gas from a liquefied natural gas (LNG) plant and from propane storage facilities as shown below:

Type	Company System	Maximum Daily Capability (MCF)
LNG	South	60,000
Propane	South	55,000
Propane	North	15,000
Total		130,000

The LNG storage tanks are capable of storing up to one million MCF of liquefied natural gas. The tanks are filled by liquefying natural gas from incoming pipeline supply during off-peak periods. The plant can then regasify up to 60,000 MCF per day to meet peak demand during the coldest periods of the winter heating season. Propane storage facilities located throughout the Company's service area can supply an additional 70,000 MCF per day. The Company also has 1.2 million MCF of natural gas in underground storage fields.

Pricing The supply and price of natural gas throughout the country have changed dramatically since the passage of the Natural Gas Policy Act (NGPA) in 1978. The NGPA provided incentives to producers for finding and developing new gas reserves by deregulating the wellhead price of natural gas discovered after February 1977. All price controls on such natural gas will be eliminated on January 1, 1985. All price controls on gas discovered before that date will remain. Under this phased deregulation, price increases were expected to occur in an orderly and gradual fashion until parity was achieved with alternate energy sources. However, certain provisions in the contracts governing the purchase of natural gas by the

Natural gas regulating stations such as this one being built near Salley, South Carolina improve the efficiency of the Company's gas transmission system.

Company's suppliers and the decontrol provisions of the NGPA caused significant price increases during the last several years. As a result, some industries switched to lower-priced, high-sulphur residual fuel oil, producing intense competition between natural gas suppliers and residual fuel oil dealers. During 1983 natural gas price increases moderated as a result of this market pressure. The approval of a Temporary Gas Cost Rider by the PSC in April 1983 enabled the Company to meet the competitive fuel price of high-sulphur residual fuel oil. The Company has recovered some of the industrial gas load which had been lost during 1982, although at reduced profit margins. The price of natural gas continues to be competitive with other alternate industrial fuels, No.2 fuel oil and propane. In residential heating markets, natural gas remains an attractive alternative to electricity and No.2 fuel oil.

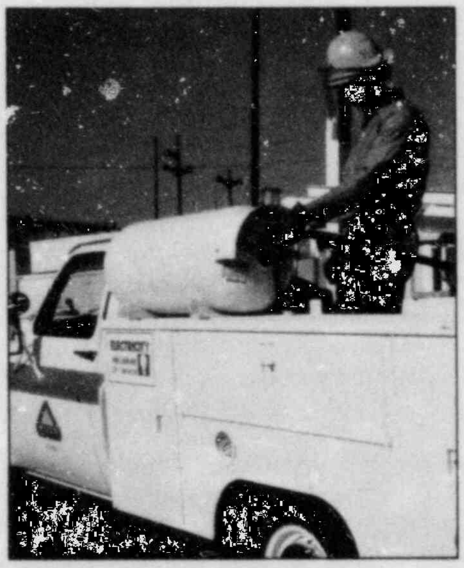
Various bills have been introduced in Congress to restructure the regulatory framework under which pipelines purchase natural gas from producers. Some of those proposals would also alter the current wellhead pricing of natural gas and the scheduled deregulation of prices. The cost of natural gas purchased by the Company makes

up about 82 cents of every dollar generated by the sale of natural gas. For this reason, the Company is vitally interested in this issue and continues to support legislation that will ensure the continued availability of adequate natural gas supplies at the lowest reasonable cost to consumers.

The natural gas industry is undergoing a difficult period of transition, from years of rigid regulation to significantly deregulated markets. Deregulation efforts have improved the availability of natural gas, ensuring that it will continue to play a key role in the nation's energy mix. In the Company's service area, competition will remain intense for sales to industrial customers, particularly those who can use high-sulphur residual fuel oil as an alternate fuel. Nevertheless, natural gas will continue to be an efficient and economical energy source in the years ahead. The availability of competitively priced natural gas within the Company's service area is one of the area's attractions for new and expanding industry. SCE&G is well positioned to meet the future energy needs of its natural gas customers.

Propane Operations The Company is engaged in the retail distribution of propane, and is a participant in joint ventures which own and operate underground propane storage facilities and a propane pipeline.

The Company's retail propane distribution business serves residential, commercial and small industrial customers who are located beyond the Company's natural gas service mains. At year-end 1983, the Company was serving approximately 4,200 customers, compared to some 4,100 customers at year-end 1982.



The Company currently has almost 400 light, medium and heavy duty trucks in its fleet operating on liquid propane fuel which provides significant savings over gasoline.

Through subsidiaries, the Company owns a 50% interest in three joint ventures with subsidiaries of Transco. Two of these joint ventures own and operate an 80-million gallon underground propane storage facility and a 62-mile propane pipeline. The facility leases space in the underground cavern to industrial companies, utilities and others for the storage of propane until needed as an alternate fuel when gas supplies are curtailed. The propane pipeline connects the Dixie Pipeline System traversing central South Carolina to a terminal facility near the underground propane storage facility. The demand for propane storage services has declined over the last several winter seasons due to ample supplies of natural gas.

Transit Operations

The Company provides public bus service in the metropolitan areas of Columbia and Charleston, South Carolina on the basis of current franchise agreements with each city. The Company's Transit Department operates 112 coaches on a total route system which covers 295 miles. During 1983 the Company's combined bus fleet traveled more than 3.7 million miles and carried approximately 9.7 million revenue passengers.

The Company's transit operations have been unprofitable since 1948. Several changes were implemented during 1983 in an effort to help reverse this trend, and more are under consideration. A marketing program for charter service was initiated during the year which resulted in an increase in the number of charters. Changes to a number of routes will expand service into new areas and remove overlapping and low-ridership routes, resulting in a net reduction in operating costs. Further studies are being made to revise additional routes for more economical operation and better customer service.

The Company also is considering requesting a fare increase to reduce losses and to bring fares more in line with those of neighboring transit systems.

Finishing touches are applied to a newly refurbished coach, one of 112 in the Company's transit system. Transit service is provided in Columbia and Charleston.

Corporate Activities

Employees At year-end 1983 the Company had 3,652 full-time employees, a 1.3% decrease from 1982. The reduction was due primarily to a hiring freeze and an early retirement incentive program which was offered to certain qualified employees between December 1982 and February 1983. This voluntary program was designed to help reduce payroll costs and give younger employees an opportunity for advancement. Of the 239 eligible employees, 182 participated in the program. The Company estimates that it will reduce payroll costs by about $5 million annually for several years as a result of this program.

Except for critical staffing needs, new hires have been kept at a minimum and justified replacements have been filled primarily through transfers within the Company.

Approximately 1,200 employees were represented by three unions at year-end 1983. During the year, the Company negotiated a new three-year labor contract with each of these unions.

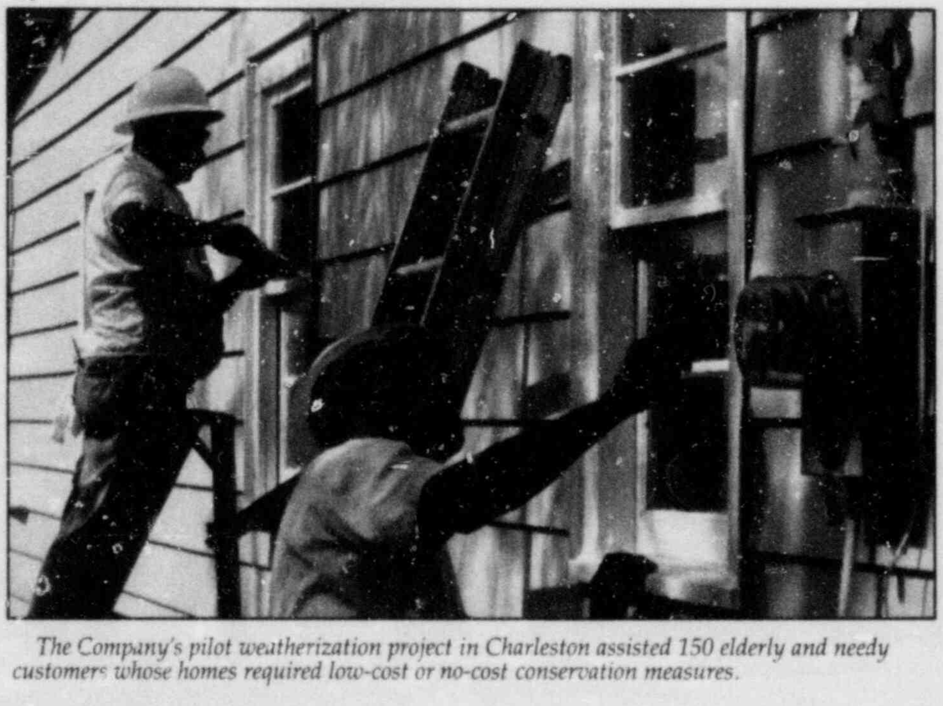
Customer Assistance The Company's Customer Assistance Department was established in 1979 to identify needy customers and refer them to appropriate federal, state and local agencies which can provide assistance in paying energy bills. Through the department's efforts, more than 45,000 low income, elderly and handicapped customers had received $5.7 million in energy assistance funds from these agencies by year-end 1983. SCE&G employees within the department have made more than 11,000 personal home visits and have established working relationships with more than 60 public and community human service agencies.

In 1982 SCE&G employees formed the Employee Good Neighbor Fund. Participants make voluntary contributions of money, food and clothing to the fund, from which distributions are made to needy citizens in the Company's service area. The fund is administered by a board of directors elected by the employee members, and is operated by the Customer Assistance Department. By year-end 1983, more than 1,600 employees were annually pledging to the fund. Since the fund's inception, more than 400 families have received approximately $75,000 in direct financial assistance.

In the fall of 1983, a $25,000 pilot weatherization project was implemented in the Charleston area to aid some 150 needy families. At no cost to the families, the Company installed weather stripping, caulking, foam sealant, door sweeps, switch plate insulators, water heater wrappers and vinyl liners for windows. Senior citizens were hired by the Company as temporary employees to perform the work. The Customer Assistance Department helped customers identify possible energy savings in other areas and counseled them on energy conservation. The project will be monitored for a year to determine its effectiveness in ensuring safe and habitable homes during inclement weather.

Industrial Development South Carolina's business climate continues to rate among the nation's most attractive to industry. The expansion and diversification of South Carolina's industrial base continued during 1983. Almost $1.3 billion in capital investments was announced during the year for new and expanded industrial facilities in the state. About 71% of this investment will occur in the Company's electric and natural gas service area, creating about 5,355 new jobs.

South Carolina's strong business orientation is evidenced by the fact that 63% of the $12.9 billion invested in industrial facilities in the state during the past 10 years has been the result of expansions of existing plants. The Company will continue to work closely with business and governmental leaders to ensure that South Carolina maintains its competitive posture in the industrial development arena.



The Company's pilot weatherization project in Charleston assisted 150 elderly and needy customers whose homes required low-cost or no-cost conservation measures.

Management Audit Report

During 1983 the Company participated in a management audit which had been ordered by The Public Service Commission of South Carolina (PSC). The PSC selected Cresap, McCormick and Paget, Inc., a nationally recognized management consulting firm, to conduct the audit. Its 445-page report was based on an eight-month study which included interviews with more than 290 employees from all levels within the Company.

The report's major finding was that the Company is well-managed and operates efficiently. The major strengths identified in the report include:

- "unusually effective top management direction, steadfastness of purpose, and commitment to needed change" during the past few years;
- technical and operational efficiency in power plant production performance and transmission and distribution of electricity;
- technical proficiency in start-up, testing and introductory performance of the V. C. Summer Nuclear Station;
- merger with Carolina Energies, Inc. "likely to favorably affect costs for gas customers";
- introduction of "conceptually sound strategic and operational planning processes";
- utilization of "creative financing arrangements"; and
- the adoption of "innovative approaches to nuclear fuel procurement".

Significantly, the report also found that " . . . public and official perceptions of the management of SCE&G appear in many respects to be outdated" and do "not appear to reflect awareness of major improvements now in place or currently under way."

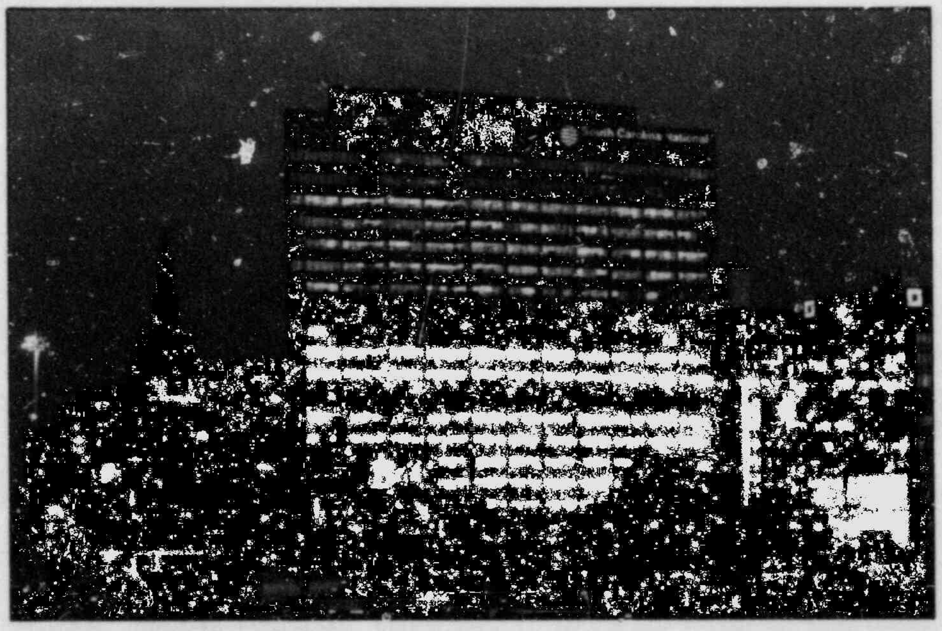
The consulting firm's most important recommendations for improvement were in the areas of organization and management systems, and cost containment and reduction. Suggestions were made to " . . . complement existing efforts, and support the goal of bringing the Company's level of sophistication in organizational matters and administrative systems more closely into balance with the evident technical expertise of SCE&G." Many of the recommendations in the report have already been implemented. Others are under review to determine the potential costs and benefits to the Company and its customers.

A summary of the report is available from Betty C. Bissell, Corporate Secretary (055), P. O. Box 764, Columbia, SC 29218

Corporate Offices The Company has completed the move of its corporate headquarters to leased space in the Palmetto Center in Columbia.

The Palmetto Center consists of a hotel managed by the Marriott Corporation, a 21-story office building and a convention center with meeting rooms and other facilities. SCE&G is the major tenant of the office building. By moving to the Palmetto Center, the Company has consolidated its operations which were previously widely scattered in thirteen locations.

The office building incorporates interior designs that will increase employee productivity and reduce future office rearrangement and expansion costs.



The consolidation of our corporate offices in the Palmetto Center should increase productivity of employees previously located in more than a dozen buildings in Columbia.

Management Report

Financials

The Management of South Carolina Electric & Gas 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 to a regulated utility. In situations that prevent exact accounting measurements, management has used informed judgments and estimates in establishing accounting and reporting practices for such items. 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 which is designed to provide reasonable assurance that all transactions are properly recorded in the books and records and that assets are protected from unauthorized use. The degree of internal accounting control is based upon the determination of the optimum balance between the cost incurred 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, through an Audit Committee composed of nonemployee directors, provides oversight for the preparation of these financial statements. The Audit Committee meets periodically with internal and independent auditors and representatives of management to review their activities and responsibilities. The internal and independent auditors have full and free access to the Committee to discuss internal accounting control, auditing and financial reporting matters.

The Company engaged Deloitte Haskins & Sells as independent auditors to report as to the fair presentation of management's Consolidated Financial Statements and their report appears below. Their examination was conducted in accordance with generally accepted auditing standards and was based upon their performing procedures which include maintaining an understanding of the Company's system of internal accounting controls and such tests and other auditing procedures as they believed to be necessary.

W B Timmerman R W Stedman

W. B. Timmerman
Vice President & Group Executive — Finance

R. W. Stedman
Vice President & Controller

Report Of Independent Certified Public Accountants

South Carolina Electric & Gas Company:

We have examined the Consolidated Balance Sheets and Consolidated Statements of Capitalization of South Carolina Electric & Gas Company and consolidated subsidiaries ("Companies") as of December 31, 1983 and 1982 and the related Consolidated Statements of Income and Retained Earnings and of Sources of Funds for Gross Property Additions for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 7, 1983, our opinion on the 1982 Consolidated Financial Statements was qualified as being subject to the effects, if any, of final determination of a request for electric rate increases filed with The Public Service Commission of South Carolina ("PSC"). As explained in Note 2B of Notes to the Consolidated Financial Statements, the PSC has issued an order and the 1982 Consolidated Financial Statements have been restated to reflect the effect of the order. Accordingly, our present opinion on the 1982 Consolidated Financial Statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, such Consolidated Financial Statements present fairly the consolidated financial position of the Companies at December 31, 1983 and 1982 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Columbia, South Carolina
February 6, 1984

Consolidated Balance Sheets

December 31,	1983	1982
ASSETS	*(Thousands of Dollars)*	
Utility Plant (Notes 1, 3 and 4):		
Electric	**$1,291,347**	$1,237,972
Gas	**221,616**	210,398
Transit	**4,808**	4,618
Common	**14,598**	19,344
Total	**1,532,369**	1,472,332
Less accumulated depreciation and amortization	**498,282**	459,417
Total	**1,034,087**	1,012,915
Construction work in progress	**880,203**	831,123
Nuclear fuel	**58,868**	68,133
Acquisition adjustment — gas (Note 11)	**38,141**	39,891
Utility Plant, Net	**2,011,299**	1,952,062
Other Property and Investments:		
Nonutility property (substantially at cost)	**14,478**	11,264
Investments in unconsolidated subsidiaries and joint ventures (Note 1)	**21,685**	23,227
Other investments and special funds	**117**	108
Total Other Property and Investments	**36,280**	34,599
Current Assets:		
Cash, temporary cash investments and special deposits (Note 8)	**74,836**	18,553
Receivables	**86,727**	75,306
Inventories (at average cost):		
Fuel	**52,681**	73,602
Materials and supplies	**8,670**	7,626
Prepayments	**7,123**	6,846
Total Current Assets	**230,037**	181,933
Deferred Debits:		
Unamortized debt expense	**6,067**	6,651
Accumulated deferred income taxes (Notes 1 and 2)	**39,071**	8,063
Other	**35,380**	19,447
Total Deferred Debits	**80,518**	34,161
Total	**$2,358,134**	$2,202,755

See Notes to Consolidated Financial Statements.

December 31,	1983	1982
	(Thousands of Dollars)	
CAPITALIZATION		
Stockholders' Investment (Note 5):		
Common Equity:		
Common stock (Authorized 50,000,000 shares)		
Outstanding **1983 — 38,727,652 shares**		
1982 — 36,526,499 shares	**$ 174,274**	$ 164,369
Premium on common stock	**374,178**	344,571
Other paid-in capital	**5,122**	4,882
Capital stock expense (debit)	**(6,647)**	(6,662)
Retained earnings (Note 2B)	**162,981**	151,975
Total Common Equity	**709,908**	659,135
Preferred Stock (Not Subject to Purchase or Sinking Funds)	**26,262**	26,262
Total Stockholders' Investment	**736,170**	685,397
Preferred Stock (Subject to Purchase or Sinking Funds) (Note 6)	**160,604**	163,619
Long-Term Debt (Notes 3 and 4):		
Principal amounts	**790,182**	855,897
Less unamortized discount	**966**	1,053
Long-Term Debt, Net	**789,216**	854,844
Total Capitalization	**1,685,990**	1,703,860
LIABILITIES		
Current Liabilities:		
Short-term borrowings (Note 8)	**158**	21,966
Current portion of long-term debt	**54,124**	16,873
Accounts payable	**66,768**	58,012
Customer deposits	**8,294**	7,255
Taxes accrued	**22,205**	6,633
Interest accrued	**20,483**	21,164
Dividends declared	**23,695**	21,863
Tax collections payable	**1,285**	915
Other	**1,827**	1,755
Total Current Liabilities	**198,839**	156,436
Deferred Credits:		
Accumulated deferred investment tax credits (Note 1)	**119,307**	109,792
Accumulated deferred income taxes (Note 1)	**245,349**	183,422
Other (Note 2)	**108,649**	49,245
Total Deferred Credits	**473,305**	342,459
Commitments and Contingencies (Notes 2 and 9)	**—**	—
Total	**$2,358,134**	$2,202,755

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Income And Retained Earnings

For the Years Ended December 31,	1983	1982	1981
		(Thousands of Dollars except per share amounts)	
Operating Revenues (Notes 1 and 2):			
Electric	**$634,127**	$574,113	$555,716
Gas	**337,282**	266,389	188,167
Transit	**3,242**	2,603	2,429
Total Operating Revenues	**974,651**	843,105	746,312
Operating Expenses:			
Fuel used in electric generation	**260,381**	214,617	234,243
Power purchased, net	**10,143**	32,501	16,271
Gas purchased for resale	**277,091**	220,502	154,502
Other operation	**88,939**	76,615	68,353
Maintenance	**36,292**	38,724	33,895
Depreciation and amortization (Note 1)	**45,000**	43,406	39,691
Taxes — other than income	**36,537**	33,453	34,672
Taxes — income (Notes 1 and 7)	**70,395**	43,580	54,377
Total Operating Expenses	**824,778**	703,398	636,004
Operating Income	**149,873**	139,707	110,308
Other Income (Note 1):			
Allowance for equity funds used during construction	**10,244**	6,618	4,530
Income tax — credit (Note 7)	—	—	16,792
Other income (loss), net of income taxes	**1,327**	(1,388)	(227)
Total Other Income	**11,571**	5,230	21,095
Income Before Interest Charges	**161,444**	144,937	131,403
Interest Charges (Credits):			
Interest on long-term debt	**87,281**	89,949	84,232
Amortization of debt premium, discount and expense, net	**744**	671	573
Other interest expense	**7,478**	6,020	7,604
Allowance for borrowed funds used during construction (Note 1)	**(37,997)**	(39,519)	(36,889)
Total Interest Charges, Net	**57,506**	57,121	55,520
Net Income (Note 2B)	**103,938**	87,816	75,883
Retained Earnings at Beginning of Year	**151,975**	146,775	136,241
Cash Dividends Declared:			
Preferred stock	**(17,186)**	(16,371)	(14,245)
Common stock	**(75,746)**	(66,245)	(51,104)
Retained Earnings at End of Year	**$162,981**	$151,975	$146,775
Earnings Available for Common Stock (Net income less preferred stock dividends declared)	**$86,752**	$71,445	$61,638
Weighted Average Number of Common Shares Outstanding (Thousands)	**37,844**	34,387	28,139
Earnings Per Share of Common Stock	**$2.29**	$2.08	$2.19

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Sources Of Funds For Gross Property Additions

For the Years Ended December 31,	**1983**	1982	1981
SOURCES OF FUNDS:		*(Thousands of Dollars)*	
Internally Generated:			
Net income	**$103,938**	$ 87,816	$ 75,883
Charges (credits) to income not requiring (providing) funds:			
Depreciation and amortization	**45,000**	43,406	39,691
Deferred income taxes, net	**30,919**	25,966	17,697
Deferred investment tax credit, net	**9,515**	14,573	17,380
Allowance for funds used during construction	**(48,241)**	(46,137)	(41,419)
Generation expense during construction	**69,868**	3,311	—
Other, net	**3,873**	1,973	1,215
Funds Internally Generated	**214,872**	130,908	110,447
Deduct dividends declared	**92,932**	82,616	65,349
Internally Generated Funds, net	**121,940**	48,292	45,098
External Financing:			
Common stock and preferred stock issued	**39,512**	90,512	48,983
Mortgage bonds and notes sold, net	**—**	100,000	84,388
Increase in fuel financings, net	**—**	14,331	15,748
Common stock issued for acquisition of Carolina Energies, Inc.	**—**	42,774	—
Reduction of long-term debt	**(29,158)**	(96,059)	(45,386)
Retirement of preferred stock	**(3,015)**	(2,598)	(3,432)
Increase (decrease) in short-term borrowings	**(21,808)**	(1,282)	(18,032)
Funds from External Financing	**(14,469)**	147,678	82,269
Other Sources (Uses):			
Acquisition of Carolina Energies, Inc.	**—**	(61,227)	—
(Increase) decrease in working capital, excluding short-term borrowings and current portion of long-term debt	**(21,144)**	(15,849)	13,084
Other changes in noncurrent balance sheet items, net	**47,172**	35,116	2,231
Other Sources (Uses)	**26,028**	(41,960)	15,315
Funds for Property Additions	**133,499**	154,010	142,682
Allowance for Funds Used During Construction	**48,241**	46,137	41,419
Gross Property Additions	**$181,740**	$200,147	$184,101

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Capitalization

December 31,	1983		1982	
	(Thousands of Dollars)			
Common Equity (Note 5):				
Common Stock, $4.50 par value, authorized 50,000,000 shares, issued and outstanding; **1983 — 38,727,652 shares,** 1982 — 36,526,499 shares	**$174,274**		$164,369	
Premium on common stock	**374,178**		344,571	
Other paid-in capital	**5,122**		4,882	
Capital stock expense (debit)	**(6,647)**		(6,662)	
Retained earnings (Note 2B)	**162,981**		151,975	
Total Common Equity	**709,908**	**42%**	659,135	39%

Preferred Stock (Not Subject to Purchase or Sinking Funds) (Cumulative):

	Series	Shares Outstanding 1983	Shares Outstanding 1982	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1983		1982	
$100 Par	8.40%	**200,000**	200,000	106.50	11-30-86	101.00	**20,000**		20,000	
$50 Par	5%	**125,234**	125,234	52.50	—	52.50	**6,262**		6,262	
Total Preferred Stock (Not Subject to Purchase or Sinking Funds)							**26,262**	**2%**	26,262	1%

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

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

Series	Shares Outstanding 1983	Shares Outstanding 1982	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1983	1982
7.70%	**123,000**	126,000	103.85	6-30-87	101.00	**12,300**	12,600
8.12%	**176,000**	180,400	104.06	6-30-86	102.03	**17,600**	18,040
10-3/4%	**161,000**	174,000	110.75	10-01-85	100.00	**16,100**	17,400
11.08%	**200,000**	200,000	111.08	10-01-85	100.00	**20,000**	20,000
13.88%	**250,000**	250,000	113.88	7-01-87	100.00	**25,000**	25,000

$50 Par Value — Authorized, 1983 — 1,766,886 shares; 1982 — 1,779,586 shares

Series	Shares Outstanding 1983	Shares Outstanding 1982	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1983		1982	
4.50%	**36,800**	38,400	51.00	—	51.00	**1,840**		1,920	
4.60%	**18,834**	20,334	50.50	—	50.50	**942**		1,017	
4.60% (A)	**50,052**	52,052	51.00	—	51.00	**2,502**		2,602	
4.60% (B)	**115,600**	119,000	50.50	—	50.50	**5,780**		5,950	
5.125%	**84,000**	85,000	51.00	—	51.00	**4,200**		4,250	
6%	**121,600**	124,800	50.50	—	50.50	**6,080**		6,240	
8%	**300,000**	300,000	56.00	1-31-84	50.00	**15,000**		15,000	
8.72%	**400,000**	400,000	54.36	1-01-84	50.00	**20,000**		20,000	
9.40%	**265,200**	272,000	52.35	10-01-85	51.175	**13,260**		13,600	
$25 Par Value — Authorized 2,000,000 shares Outstanding	—	—	—	—	—	—		—	
Total Preferred Stock (Subject to Purchase or Sinking Funds)						**160,604**	**9%**	163,619	10%

December 31,		1983		1982	
		(Thousands of Dollars)			
Long-Term Debt:					
First and Refunding Mortgage Bonds:					
Series	Year of Maturity				
4-1/8%	1983	—		2,500	
9-3/8%	1984	25,000		25,000	
3-1/2%	1985	3,125		3,275	
14-3/8%	1986	15,000		15,000	
15-5/8%	1987	25,000		25,000	
5-1/2%	1987	6,700		6,850	
4-7/8%	1988	10,000		10,000	
10-1/2%	1990	10,200		10,800	
5%	1990	10,000		10,000	
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	50,000		50,000	
16%	2011	66,250		70,000	
Pollution Control Facilities Revenue Bonds:					
4-1/2% Series, bearing interest at 70-75% of applicable prime rate, due 1987		4,124		5,155	
5.95% Series, due 2003		7,500		7,500	
5% Consolidated Mortgage Gold Bonds, due 1999 (non-callable)		1,045		1,050	
Bank Note — Secured, due 1984		15,000		15,000	
Nuclear Fuel Disposal Liability, due 1985		69[illegible]		—	
South Carolina LNG Company, Inc., 10-1/2% Series First Mortgage Bonds, due 1990		6,670		7,360	
South Carolina Fuel Company, Inc.:					
Nuclear fuel liability		58,013		68,364	
Fossil fuel liability		22,089		28,397	
South Carolina Electric & Gas Finance N.V., 15-1/2% Guaranteed Notes, due 1989		60,000		60,000	
Carolina Energies, Inc.:					
First Mortgage Bonds:					
10% Series B, due 1985		700		1,050	
6% Series A, due 1988		3,450		4,302	
Term Loan, 9%, due 1985		4,434		4,699	
Sinking Fund Notes:					
6-1/4%, due 1983		—		40	
16%, due 1988 (retired 1983)		—		450	
Lease obligation, 5-3/4%, due 1997		285		300	
Capitalized lease obligations — vehicles		5,027		6,678	
Total		844,306		872,770	
Less — Current portion of long-term debt		54,124		16,873	
Unamortized discount		966		1,053	
Total Long-Term Debt (Notes 3 and 4)		789,216	47%	854,844	50%
Total Capitalization		$1,685,990	100%	$1,703,860	100%

See Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. System of Accounts

The accounting records of the Company are maintained in accordance with the uniform system of accounts as prescribed by the Federal Energy Regulatory Commission (FERC) and as adopted by The Public Service Commission of South Carolina (PSC).

B. Principles of Consolidation

The accounts of the Company's wholly-owned subsidiaries, Carolina Energies, Inc., South Carolina Fuel Company, Inc., South Carolina LNG Company, Inc. and South Carolina Electric & Gas Finance N.V., are consolidated in the accompanying Consolidated Financial Statements. Investments in the Company's real estate subsidiary, Energy Subsidiary, Inc., and certain investments of Carolina Energies, Inc. in joint ventures (see Note 11) are reported using the equity method of accounting. Significant intercompany transactions have been eliminated.

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 charged, 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. In accordance with FERC Electric Plant Instructions, the fair value of test power generated by the V. C. Summer Nuclear Station (Summer Station) and delivered to the Company's electric system for distribution and sale has been credited to construction work in progress.

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 amounts of AFC which will ultimately be included in rate base in establishing rates for utility charges. The Company has calculated AFC using a 6.5% rate (except for nuclear fuel which is capitalized at the actual interest amount), which is less than the maximum allowable rate as calculated under FERC Order No. 561.

E. Depreciation

The Company provides for depreciation for financial reporting purposes on a straight-line basis over the estimated useful lives of utility plant. Annual rates averaged 3.15%, 3.16% and 3.12% for 1983, 1982 and 1981, respectively.

F. Income Taxes

Deferred income taxes, arising principally from the use of accelerated amortization and depreciation, are charged to income currently with corresponding credits to accumulated deferred income taxes. Deferred income taxes are credited to income in appropriate amounts when subsequent income tax liabilities are greater as a result of this practice.

The tax effect of litigated electric revenues ($29.6 million and $8.1 million for 1983 and 1982, respectively) collected by the Company has been accounted for as a credit to the provision for deferred income taxes under "Taxes-income" and included in "Deferred Debits-Accumulated deferred income taxes" (see Note 2B).

Pursuant to an agreement with FERC effective January 1, 1982, the tax deductions related to interest expense arising principally from investments in construction work in progress, which previously resulted in an income tax-credit under "Other Income", are accounted for in "Taxes - income" under "Operating Expenses".

Investment tax credits on eligible property are being amortized over the useful lives of the respective assets.

G. Pension Plan

The Company has a pension plan covering all employees. The Company's policy is to fund pension costs accrued. Total pension expense, including amortization of unfunded prior service cost over a twenty-year period ending in the year 2000, was approximately $10.3 million, $7.8 million and $6.7 million for 1983, 1982 and 1981, respectively.

The actuarial present value of accumulated plan benefits and plan net assets as of the most recent benefit information date are as follows:

	January 1, 1983	January 1, 1982
	(Millions of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	**$111.8**	$68.4
Nonvested	**6.3**	7.6
Total	**$118.1**	$76.0
Net assets available for benefits	**$ 79.2**	$60.5

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for 1983 and 1982. The increase in pension expense for 1983 resulted primarily from changes in plan assumptions and provisions and a change in actuarial methods. The increase in the actuarial present value of accumulated plan benefits resulted from amendments to the plan and changes in actuarial assumptions.

H. Revenue Recognition

Customers' meters are read and bills are rendered on a monthly cycle basis. Base rate revenue is recorded during the accounting period when the meters are read. Revenue attributable to gas costs (to the extent collectible through adjustment clauses) is accrued and recorded in the month during which the gas is used rather than when the revenue is billed.

The Company collects projected fuel costs in retail electric base rates, as established by the PSC during semiannual hearings. Any resulting overrecoveries or undercollections are included when estimating fuel costs for consideration during the next PSC hearing. At December 31, 1983 the Company had undercollected fuel costs of approximately $8.7 million which are included in "Deferred Debits - Other".

I. Debt Premium, Discount and Expense

Long-term debt premium, discount and expense are being amortized over the terms of the respective debt issues.

2. RATE MATTERS:

A. On September 6, 1983, the Company filed a petition with the PSC for an increase in retail electric rates to include revenues to recover costs associated with the Company's two-thirds ownership interest in Summer Station, which began commercial operation on January 1, 1984. Based on a test year ended May 31, 1983, the requested increase in rates, if approved by the PSC, would produce an annual increase in revenues of approximately $118 million (19.3%) over rates currently being billed customers. The $118 million increase in revenues is net of estimated fuel savings of approximately $31.5 million and is in addition to approximately $52 million of test year revenues currently being billed customers which is subject to refund with interest and presently under litigation (see B below). Hearings have concluded and, under state law, the PSC must render a decision within six months and five days from the date of filing. Pending a final decision by the PSC, there can be no assurance that any of the requested increase will be granted.

B. On July 13, 1983, the PSC issued an order granting the Company approximately $34.1 million annually, or 39.6% of the approximately $86.2 million electric rate increase petition filed on July 1, 1982 (as revised on January 24, 1983). The Company appealed the decision to the South Carolina Circuit Court which remanded the Order to the PSC for further consideration because certain matters were not based upon substantial evidence in the record. At the present time, the Company cannot predict what the final outcome of this matter will be and continues to bill its customers at the litigated rates. The difference in revenues (approximately $52 million annually in test year revenues) between the litigated and PSC approved rates has been and will continue to be eliminated from electric revenues and, together with interest (at the statutory rate of 12% per annum) thereon, recorded as a liability and included in "Deferred Credits-Other". At December 31, 1983, the total amount of litigated electric revenues subject to refund, including interest, was approximately $76.5 million. The accompanying Consolidated Financial Statements reflect the effect of the PSC Order, and previously reported operating results and retained earnings have been restated as follows:

	Year Ended December 31, 1982		
	Previously Reported	Adjustment	As Adjusted
	(Millions of Dollars except per share amounts)		
Total electric operating revenues	$590.0	$(15.9)	$574.1
Operating income (net of income tax effect)	147.6	(7.9)	139.7
Net income	96.1	(8.3)	87.8
Earnings available for common stock	79.7	(8.3)	71.4
Earnings per share of common stock	2.32	(.24)	2.08
Retained earnings	160.3	(8.3)	152.0

C. On April 29, 1983, the Company filed an application with the FERC for an increase of 52.8% (approximately $15.9 million annually) in wholesale electric revenues based on a projected test year ending June 30, 1984. An interim rate increase of 29.9% (approximately $9 million annually) was placed into effect, subject to refund, on June 29, 1983. On January 25, 1984, a negotiated settlement, agreed to by the Company and its wholesale customers, was filed with the FERC for approval. The terms of the Settlement Agreement provide for, among other things, a two-phase rate increase. The first phase of the rate increase is effective June 29, 1983, and will remain in effect until the PSC issues an order on the Company's September 6, 1983 petition for increased retail electric rates (see A above). The phase one rate, based on the test year, will produce approximately $5.8 million annually in additional electric revenues. The Settle-

ment Agreement also required a refund of approximately $1.5 million (out of approximately $4.4 million of wholesale electric revenues collected subject to refund through December 31, 1983) which was made to wholesale customers in January 1984. The phase two rate will be effective upon the issuance of an order by the PSC on the Company's September 6, 1983 rate increase petition and will be equivalent to the Company's Large General Service Retail Rate. If the Company's proposed Large General Service Retail Rate were approved by the PSC in its entirety, such phase two rate would produce a total of approximately $15.4 million annually in additional wholesale electric revenues or approximately $9.6 million above the phase one rate. There can be no assurance that the terms of the Settlement Agreement will be approved by the FERC.

D. On September 28, 1983, the PSC issued an order granting the Company approximately $7.5 million, or 65.6% of the requested $11.4 million natural gas rate increase filed on June 13, 1983. The order provides a 6.1% increase in firm retail natural gas revenues based on a test year ended March 31, 1983. The new rates were placed in effect on September 28, 1983.

3. LONG-TERM DEBT:

The Company's bank note ($15 million due March 9, 1984) is secured by a like principal amount of First and Refunding Mortgage Bonds, 14-1/2% Series. Interest on the Note is pegged to various rates as defined in the agreement at the option of the Company with the interest rate at 10.87% on December 31, 1983.

The 15-1/2% Guaranteed Notes of South Carolina Electric & Gas Finance N.V. due 1989 are secured as to payment of principal and interest by First and Refunding Mortgage Bonds.

Substantially all utility plant and fossil fuel inventories are pledged as collateral in connection with the various issues of long-term debt. Approximately $8.6 million of the current portion of long-term debt for 1984 may be satisfied by deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits.

In accordance with provisions of the Nuclear Waste Disposal Act of 1982, public utility companies owning nuclear power generating facilities have entered into contracts with the Department of Energy (DOE) for permanent disposal of spent nuclear fuel. Pursuant to a FERC accounting directive, fees charged by the DOE for permanent disposal of spent nuclear fuel associated with generation prior to April 7, 1983 shall be recorded in other long-term debt to the extent such fees are not recovered in rates and included in utility plant.

The annual amounts of long-term maturities, including sinking fund requirements and amounts due under nuclear fuel and fossil fuel agreements (see Note 4), for the calendar years 1984 through 1988 are summarized as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1984	$54,124	1987	$85,623
1985	52,013	1988	20,988
1986	36,275		

4. FUEL FINANCINGS:

The Company has assigned to South Carolina Fuel Company, Inc. all of its rights and interests in its various contracts relating to the acquisition and ownership of nuclear fuel and fossil fuel. That subsidiary finances these investments through the issuance of short-term commercial paper supported by an irrevocable letter of credit (nuclear fuel) which expires in 1987 and an irrevocable bank line of credit (fossil fuel) which expires in 1985. Due to these arrangements which support the commercial paper borrowings, the amounts outstanding have been included in long-term debt. The agreements, as amended, provide for maximum amounts ($70 million related to nuclear fuel and $30 million related to fossil fuel) that may be outstanding at any time.

At December 31, 1983, the amount outstanding for nuclear fuel was approximately $58.0 million at a weighted average interest rate of 9.99% and the amount outstanding for fossil fuel was approximately $22.1 million at a weighted average interest rate of 9.64%.

5. STOCKHOLDERS' INVESTMENT (Excluding Preferred Stock Subject to Purchase or Sinking Funds):

Increases in "Premium on common stock" for 1983 (approximately $29.6 million), 1982 (approximately $77.5 million) and 1981 (approximately $33.6 million) represent the premium on issuance of additional shares of common stock as follows:

	1983	1982	1981
Common stock—public sale	—	2,500,000	2,000,000
Common stock—Carolina Energies, Inc. acquisition	—	2,618,400	—
Stock Purchase—Savings Program for Employees	**489,734**	398,169	312,660
Dividend Reinvestment and Stock Purchase Plan	**1,590,592**	1,126,350	845,898
Employee Stock Ownership Plan	**120,827**	193,516	270,249
Total Shares Issued	**2,201,153**	6,836,435	3,428,807

The Restated Articles of Incorporation of the Company and the indentures underlying certain bond issues contain provisions that limit the payment of cash dividends on common stock. Approximately $97.6 million of retained earnings were not restricted as to payment of cash dividends on common stock at December 31, 1983.

The increase (decrease) in "Stockholders' Investment" (Excluding Preferred Stock Subject to Purchase or Sinking Funds) is summarized as follows:

	1983	1982	1981
	(Thousands of Dollars)		
Balance at Beginning of Year	**$685,397**	$572,203	$512,420
Changes in Common stock:			
Stock Purchase-Savings Program for Employees	**2,204**	1,792	1,407
Employee Stock Ownership Plan	**544**	871	1,216
Dividend Reinvestment and Stock Purchase Plan	**7,157**	5,068	3,806
Public sale	—	11,250	9,000
Acquisition of Carolina Energies, Inc.	—	11,783	—
Changes in Premium on common stock:			
Stock Purchase-Savings Program for Employees	**7,129**	4,765	3,017
Employee Stock Ownership Plan	**1,710**	2,337	2,542
Dividend Reinvestment and Stock Purchase Plan	**20,768**	12,054	7,495
Public sale	—	27,375	20,500
Acquisition of Carolina Energies, Inc.	—	30,991	—
Changes in Other paid in capital, net	**240**	195	378
Changes in Capital stock expense, net	**15**	(487)	(112)
Changes in Retained earnings:			
Net income	**103,938**	87,816	75,883
Cash dividends:			
Preferred stock (at stated rates)	**(17,186)**	(16,371)	(14,245)
Common stock (at an annual per share rate of $2.00, $1.92 and $1.82 for 1983, 1982 and 1981, respectively)	**(75,746)**	(66,245)	(51,104)
Balance at End of Year	**$736,170**	$685,397	$572,203

Note: 1982 Restated — See Note 2B.

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, the Company 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. The Company 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 moneys 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 calendar years 1984 through 1988 are summarized as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1984	$3,015	1987	$ 7,415
1985	3,815	1988	14,415
1986	4,415		

The increase (decrease) in "Preferred Stock (Subject to Purchase or Sinking Funds)" outstanding is summarized as follows:

	1983	
	Number of Shares	**Thousands of Dollars**
Issued:		
$100 par value	—	$ —
50 par value	—	—
Redeemed:		
$100 par value	**(20,400)**	**(2,040)**
50 par value	**(19,500)**	**(975)**
Total	**(39,900)**	**$(3,015)**

	1982	
	Number of Shares	Thousands of Dollars
Issued:		
$100 par value	250,000	$25,000
50 par value	—	—
Redeemed:		
$100 par value	(17,480)	(1,748)
50 par value	(17,000)	(850)
Total	215,520	$22,402

	1981	
	Number of Shares	Thousands of Dollars
Issued:		
$100 par value	—	$ —
50 par value	—	—
Redeemed:		
$100 par value	(23,320)	(2,332)
50 par value	(22,000)	(1,100)
Total	(45,320)	$(3,432)

7. INCOME TAXES:

The Company's income taxes differ from amounts computed by applying the Federal income statutory rate of 46% to pre-tax income as follows:

	1983	1982	1981
	(Thousands of Dollars)		
Net income	**$103,938**	$ 87,816	$ 75,883
Add (deduct) components of income tax expense:			
Income tax expense charged to operating expenses (income taxes and credits and investment tax credits, net)	**70,395**	43,580	54,377
Income tax credited to other income	**—**	—	(16,792)
Income tax expense charged to other income, net	**3,298**	1,321	902
Total income tax expense	**73,693**	44,901	38,487
Total pre-tax income	**$177,631**	$132,717	$114,370
Income taxes on above at statutory Federal income tax rate	**$ 81,710**	$ 61,050	$ 52,610
Increases (decreases) attributable to:			
Allowance for funds used during construction (excluding nuclear fuel)	**(19,140)**	(17,374)	(15,024)
Depreciation differences	**1,568**	1,924	1,858
Amortization of investment tax credits	**(1,973)**	(1,706)	(1,374)
State income taxes (less Federal income tax effect)	**7,065**	4,527	3,040
Amortization of acquisition adjustment	**805**	—	—
Taxes, pensions and other items capitalized on books	**—**	(2,437)	(2,403)
Other differences, net	**3,658**	(1,083)	(220)
Income tax expense	**$ 73,693**	$ 44,901	$ 38,487
Income tax expense is composed of:			
Provision (credit) for current taxes:			
Federal	**$ 21,825**	$ 1,866	$ (427)
State	**6,262**	1,655	2,089
Foreign	**596**	380	—
Total current taxes, net	**28,683**	3,901	1,662
Deferred taxes, net:			
Federal	**28,948**	22,242	15,324
State	**1,971**	3,724	2,373
Total deferred taxes, net	**30,919**	25,966	17,697
Investment tax credits:			
Amount deferred	**16,064**	16,740	20,502
Amortization of amounts deferred (credit)	**(1,973)**	(1,706)	(1,374)
Total investment tax credits	**14,091**	15,034	19,128
Total income tax expense	**$ 73,693**	$ 44,901	$ 38,487

Note: 1982 Restated — See Note 2B.

Provision for deferred taxes, net results from timing differences in recognition of the following items:

	1983	1982	1981
	(Thousands of Dollars)		
Accelerated depreciation and amortization	**$ 51,482**	$37,941	$10,065
Litigated revenues	**(29,628)**	(8,055)	—
Interest on nuclear fuel	**939**	3,562	4,312
Deferred fuel revenue	**7,632**	(6,532)	3,580
Other, net	**494**	(950)	(260)
Total provision for deferred income taxes, net	**$ 30,919**	$25,966	$17,697

The Company's Federal income tax returns have been examined by the Internal Revenue Service (IRS) through 1981 and have been closed through 1978. Final reports have been received for 1979-1981 and all issues resolved. Carolina Energies, Inc. is currently under audit by the IRS for the tax years 1979-1981.

8. SHORT-TERM BORROWINGS:

The Company maintains compensating balances of up to 10% for certain of its bank lines and pays fees in lieu of balances in connection with its other lines of credit. The lines supported by compensating balances may be reduced or withdrawn at the banks' options, with all compensating balances available for use as general operating funds. Bank loans are for 270 days or less. Details of lines of credit and short-term borrowings at December 31, 1983, 1982 and 1981 and for the years then ended are as follows:

	December 31,		
	1983	1982	1981
	(Dollars in Millions)		
Lines of credit at year-end	**$127.2**	$130.7	$134.2
Borrowings against credit line at year-end	**—**	—	—
Average bank balances during the year	**$ 4.9**	$ 3.4	$ 4.8
Short-term borrowings (including commercial paper) during the year:			
Maximum outstanding	**$ 36.3**	$ 64.8	$ 74.0
Average outstanding	**$ 12.4**	$ 36.2	$ 32.7
Weighted daily average interest rates:			
Bank loans	**—**	11.88%	15.44%
Commercial paper	**8.85%**	12.96%	16.78%
Notes payable outstanding at year-end:			
Bank loans	**—**	—	$ .6
Weighted average interest rate	**—**	—	12.13%
Commercial paper	**—**	$ 21.8	$ 22.5
Weighted average interest rate	**—**	9.02%	13.09%
Other	**$ .2**	$ .2	$ .1
Weighted average interest rate	**9.50%**	9.50%	9.35%

9. COMMITMENTS AND CONTINGENCIES:

A. Construction

In addition to routine commitments for operating materials and supplies, the Company at December 31, 1983 had major construction commitments of approximately $149.4 million relating to construction at Summer Station, the conversion of the 580 megawatt Williams Station from oil-fired to coal-fired operation and the acquisition of nuclear fuel.

The Company and the South Carolina Public Service Authority (PSA) (a public corporation of the State of South Carolina) are joint owners (two-thirds and one-third, respectively) of the 900 megawatt Summer Station. The parties share in financing, costs of construction, costs of operation, and in energy output on this basis. The total cost of construction of the Summer Station was approximately $1.3 billion at December 31, 1983 and the Company's share was approximately $851 million which is included in construction work in progress. The Summer Station commenced commercial operation on January 1, 1984.

B. Leases

Minimum lease commitments as of December 31, 1983 under all noncancellable noncapitalized leases are not material. The present value of minimum lease commitments at December 31, 1983 with respect to noncapitalized financing leases is less than five percent of the total capitalization of the Company.

C. Lease Commitment

The Company is the master tenant of a building used for its Corporate Headquarters under terms of a 25-year net lease. If permanent financing for the building is not obtained by the owners prior to December 31, 1984 (unless mutually extended), the Company must make a rejectable offer to purchase the building at its cost. The cost of the building is approximately $43 million.

D. Nuclear Insurance

The Price-Anderson Indemnification Act limits the liability of a power company operating a nuclear reactor to $580 million for one nuclear accident. The Act provides that all owners of nuclear reactors may be assessed up to $5 million per reactor for each nuclear accident occurring at any reactor in the United States with a limit of two assessments per year (a retroactive premium). The Company's maximum exposure would be approximately $6.7 million per year under this legislation.

The Company has obtained mutual insurance policies providing property and decontamination insurance coverage of $425 million for losses in excess of $500 million over existing coverages on the Summer Station. The Company pays annual premiums and, in addition, could be assessed a premium not to exceed 7-1/2 times its annual premium which, based on the current annual premium, could be approximately $4.4 million in the event of property damage loss to any nuclear generating facilities covered by such mutual policies.

10. SEGMENT OF BUSINESS INFORMATION:

Segment information at December 31, 1983, 1982 and 1981 and for the years then ended is as follows:

1983	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 634,127	$337,282	$ 3,242	$ 974,651
Operating expenses, excluding depreciation and amortization	457,746	316,072	5,960	779,778
Depreciation and amortization	37,472	7,345	183	45,000
Total operating expenses	495,218	323,417	6,143	824,778
Operating income (loss)	$ 138,909	$ 13,865	$(2,901)	149,873
Add—Other income, net				11,571
Less—Interest charges				57,506
Net income				$ 103,938
Capital expenditures: Identifiable	$ 164,955	$ 14,410	$ 211	$ 179,576
Utilized for overall Company operations				2,164
Total				$ 181,740
Identifiable assets at December 31, 1983: Utility plant, net	$1,819,717	$175,788	$ 1,519	$1,997,024
Inventories	51,421	7,217	203	58,841
Total	$1,871,138	$183,005	$ 1,722	2,055,865
Assets utilized for overall Company operations				302,269
Total assets				$2,358,134

1982(a)	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 574,113	$266,389	$ 2,603	$ 843,105
Operating expenses, excluding depreciation and amortization	404,197	250,284	5,511	659,992
Depreciation and amortization	36,146	7,049	211	43,406
Total operating expenses	440,343	257,333	5,722	703,398
Operating income (loss)	$ 133,770	$ 9,056	$(3,119)	139,707
Add—Other income, net				5,230
Less—Interest charges				57,121
Net income				$ 87,816
Capital expenditures: Identifiable (Includes acquisition of Carolina Energies, Inc.)	$ 186,871	$ 71,947	$ 44	$ 258,862
Utilized for overall Company operations				2,512
Total				$ 261,374
Identifiable assets at December 31, 1982:				
Utility plant, net	$1,763,203	$170,631	$ 1,458	$1,935,292
Inventories	71,947	7,847	176	79,970
Total	$1,835,150	$178,478	$ 1,634	2,015,262
Assets utilized for overall Company operations				187,493
Total assets				$2,202,755

(a) Restated — See Note 2B.

1981	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 555,716	$188,167	$ 2,429	$ 746,312
Operating expenses, excluding depreciation and amortization	413,266	177,984	5,063	596,313
Depreciation and amortization	33,889	5,593	209	39,691
Total operating expenses	447,155	183,577	5,272	636,004
Operating income (loss)	$ 108,561	$ 4,590	$(2,843)	110,308
Add—Other income, net				21,095
Less—Interest charges				55,520
Net income				$ 75,883
Capital Expenditures: Identifiable	$ 173,833	$ 8,840	$ 145	$ 182,818
Utilized for overall Company operations				1,283
Total				$ 184,101
Identifiable assets at December 31, 1981:				
Utility plant, net	$1,616,249	$ 99,327	$ 1,598	$1,717,174
Inventories	83,955	6,032	147	90,134
Total	$1,700,204	$105,359	$ 1,745	1,807,308
Assets utilized for overall Company operations				151,464
Total assets				$1,958,772

11. ACQUISITION OF CAROLINA ENERGIES, INC.:

In April 1982, a wholly-owned subsidiary of the Company acquired all the stock of Carolina Energies, Inc. (CEI). The stockholders of CEI received approximately $26.6 million in cash and 2,618,400 shares of the Company's common stock with a market value of approximately $42.8 million. CEI is a holding company engaged through its six wholly-owned subsidiaries in the purchase, transmission and distribution of natural gas at wholesale and retail, retail distribution of propane and other related activities including oil and gas exploration through joint ventures.

The acquisition was accounted for under the purchase method of accounting and the accompanying Consolidated Statements of Income and Retained Earnings include the results of CEI's operations from date of acquisition.

The cost of the acquisition (net assets acquired less working capital provided) was $61.2 million which represents the excess of Gas Utility Plant ($67.4 million, including acquisition adjustment of $39.9 million) and other assets ($16.1 million) over long-term debt ($10.5 million) and other liabilities ($11.8 million). The acquisition adjustment included in Gas Utility Plant at December 31, 1982, is being amortized over a forty-year period using the straight-line method.

Had the acquisition of CEI been consummated as of the beginning of each of the years shown below, pro-forma operating results, excluding amortization of the acquisition adjustment, would have been as follows:

	1982(a)	1981
	(Thousands of Dollars except per share amounts)	
Operating revenues	$885,047	$8[illegible]6,801
Operating income	141,197	117,872
Other income, net	7,016	21,226
Income before interest charges	148,213	139,093
Net income	88,987	82,426
Preferred dividends	16,371	14,245
Earnings available for common stock	72,616	68,181
Weighted average number of common shares outstanding (000)	35,194	30,758
Earnings per share of common stock	$2.06	$2.22

(a) Restated – see Note 2B.

12. QUARTERLY FINANCIAL DATA (UNAUDITED):

The following data have not been audited, but in the opinion of the Company, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of such amounts. Amounts for the third and fourth quarters of 1982 have been restated to reflect the effect of a July 13, 1983 PSC retail electric rate order (see Note 2B).

1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	$257,520	$214,220	$263,695	$239,216	$974,651
Operating income (000)	39,012	35,522	45,394	29,945	149,873
Net income (000)	27,104	23,430	35,134	18,270	103,938
Earnings available for common stock (000)	22,794	19,123	30,832	14,003	86,752
Earnings per share of common stock as reported	.62	.51	.81	.36	2.29

1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	$200,171	$197,256	$227,758	$217,920	$843,105
Operating income (000)	35,696	28,832	42,152	33,027	139,707
Net income (000)	22,933	16,062	28,407	20,414	87,816
Earnings available for common stock (000)	19,425	11,898	24,040	16,082	71,445
Earnings per share of common stock as reported	.64	.34	.67	.44	2.08

13. ACCOUNTING FOR CHANGING PRICES (UNAUDITED):

In compliance with Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices", the Company has prepared certain supplementary financial statement data in constant and current dollars (as defined). See pages 36 and 37 for constant and current dollar supplementary financial statement data.

Common Stock Information

	1983				1982			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Price Range: (a)								
High	20-1/2	19-1/2	21-1/4	20-7/8	19-1/8	18-1/8	17-5/8	16-1/8
Low	17-1/2	17-7/8	17-7/8	17-1/2	16-5/8	15	15-1/2	14-1/2

Dividends Per Share:

1983	Amount	Date Declared	Date Paid
First Quarter	**$.50**	**January 26, 1983**	**April 1, 1983**
Second Quarter	**$.50**	**May 25, 1983**	**June 30, 1983**
Third Quarter	**$.50**	**August 24, 1983**	**October 1, 1983**
Fourth Quarter	**$.50**	**November 22, 1983**	**January 1, 1984**
1982			
First Quarter	$.48	January 27, 1982	April 1, 1982
Second Quarter	$.48	May 26, 1982	July 1, 1982
Third Quarter	$.48	August 25, 1982	October 1, 1982
Fourth Quarter	$.48	November 24, 1982	January 1, 1983

	December 31, 1983	December 31, 1982
Number of common shares outstanding	**38,727,652**	36,526,499
Number of common stockholders of record	**64,211**	63,715

The principal market for SCE&G common stock is the New York Stock Exchange (stock symbol - SCG).

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to provide funds for its construction program and meet its working capital requirements is dependent upon rates which will provide a level of earnings sufficient to pay for that portion of the construction program to be financed from internally generated funds and to permit the issuance of additional securities on reasonable terms. The Company's ability to obtain funds through short and long-term borrowings and equity securities is subject to certain earnings tests and to capital market conditions.

Construction expenditures for 1983 totaled approximately $182 million of which approximately $120 million was associated with the V. C. Summer Nuclear Station (Summer Station). Summer Station was placed in commercial operation on January 1, 1984. Additionally, in 1983 the Company applied approximately $32 million to scheduled sinking and purchase funds and retirement of long-term debt. The Company's cash requirements for its 1984 construction program, excluding Allowance for Funds used During Construction (AFC) but including nuclear fuel purchases, are projected to be approximately $266 million. In addition to cash required for construction, approximately $49 million will be required during 1984 for sinking and purchase funds and to retire maturing obligations. The Company anticipates that such cash requirements in 1984 will be met through the sale of pollution control bonds, common stock issued through its dividend reinvestment plan and employee stock purchase plans and internally generated funds. The Company expects that short-term capital needs will be met through bank borrowings and the sale of commercial paper.

The Company periodically reviews its capital requirements, conditions in the financial markets and its capitalization goals to determine the amounts, timing and types of external financings.

RESULTS OF OPERATIONS

Earnings

Earnings per share of common stock (based on the weighted average number of shares outstanding), the percent increase (decrease) from the previous year and the rate of return earned on common equity for the years 1981 through 1983 were as follows:

	1983	1982	1981
Earnings Per Share	**$2.29**	$2.08	$2.19
Percent Increase (Decrease) in Earnings per Share	**10.1%**	(5.0)%	8.4%
Return Earned on Common Equity (Year-end)	**12.2%**	10.8%	11.3%

The increase in earnings per share during 1983 was primarily attributable to various rate increases placed in effect during 1982 and improved electric sales (KWH) in 1983. The decline in such earnings per share for 1982 resulted primarily from an overall decrease in electric sales (KWH) of approximately 2.3% and the failure of The Public Service Commission of South Carolina (PSC) to grant the Company adequate electric rate relief as requested in its petition for an electric rate increase filed on July 1, 1982 (see Note 2B of Notes to Consolidated Financial Statements). The following table sets forth certain information with respect to significant current and previous rate cases for 1981 through 1983:

	REQUESTED			APPROVED		
Type of Service	Date Filed	Amount (Millions)	% Increase Requested (1)	Effective Date	Amount (Millions)	% of Request Granted (1)
Electric						
Retail	2/27/81	$74.2	16.8%	4/1/82	$56.4	76.0%
Wholesale	5/1/81	$ 4.2	18.2%	4/29/82	$ 3.8	90.0%
Retail	7/1/82	$86.2	15.5%	8/1/83	$34.1(2)	39.6%
Wholesale	4/29/83	$15.9	52.8%		Pending (2)	
Retail	9/6/83	$169.9(3)	30.4%		Pending (2)	
Gas						
Retail	7/1/82	$16.4	14.5%	9/29/82	$10.3	63.0%
Retail	6/13/83	$11.4	9.3%	9/28/83	$ 7.5	65.6%

(1) Based on test year used in rate case.
(2) See Note 2 of Notes to Consolidated Financial Statements for additional information concerning these rate requests.
(3) If the effect of approximately $52 million disallowed in a previous rate increase request now in litigation were excluded, the amount of the rate increase requested would be approximately $118 million or 19.3% (see Note 2B of Notes to Consolidated Financial Statements).

AFC has had a major effect on the Company's results of operations in recent years. 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 instead of being expensed in the period incurred. Both the equity and the debt portions of AFC are noncash items of nonoperating income which have the effect of increasing the Company's reported net income by their full amounts. Due to the high level of construction activity in recent years (primarily Summer Station), a substantial portion of the Company's earnings has been attributable to AFC. For the years 1983, 1982 and 1981, AFC contributed approximately 56%, 65% and 67%, respectively, of Earnings Available for Common Stock. Since Summer Station commenced commercial operation on January 1, 1984, AFC has been virtually eliminated and depreciation associated with the recovery of the investment in the plant has begun. A majority of the Company's current rate increase request before the PSC is intended to offset these effects on earnings (see Note 2A of Notes to Consolidated Financial Statements). Unless adequate rate relief is granted, the elimination of AFC and the

additional depreciation related to Summer Station would have a significant negative impact on the Company's earnings.

Operating Revenues

Total operating revenues increased $131.5 million (15.6%) in 1983 and $96.8 million (13.0%) in 1982. The principal factors contributing to these annual increases in revenues from the preceding calendar year were as follows:

	1983	1982
	(Millions of Dollars)	
Electric:		
Volume increases (decreases) (1)	**$27.5**	$(11.0)
Rate increases (2)	**32.5**	29.4
Net increase	**$60.0**	$ 18.4
Gas:		
Volume increases (1) (4)	**$31.5**	$ 46.8(3)
Rate increases (2)	**39.4**	31.4
Net increase	**$70.9**	$ 78.2

(1) Year-to-year increases in units sold multiplied by the weighted average rate levels in effect during the previous year.

(2) Year-to-year increases in revenues less the amounts shown for volume increases. The relative effects of rate increases and adjustment clauses vary according to the timing of general rate increases and the effective dates of changes in adjustment clauses.

(3) Reflects approximately $78.8 million of revenues of Carolina Energies, Inc. (CEI) which was acquired by the Company and included in its operations since April 1, 1982.

(4) Volume increases for 1982 include the effect of nine months of CEI gas sales while volume increases for 1983 include the effect of 12 months of CEI sales.

Increases in electric operating revenues were primarily the result of various rate increases placed in effect during 1981 and 1982. Unit sales of electricity in 1982 were generally depressed as a result of milder weather, weak economic conditions and customer conservation. Unit sales of electricity in 1983 improved as a result of abnormally hot weather and improved business conditions. The increases in gas operating revenues are primarily attributable to the recovery of the increased cost of gas, which is passed along to gas customers through a purchased gas adjustment clause, increased retail gas rates placed in effect during 1982 and 1983 and the inclusion of natural gas sales of Carolina Energies, Inc. since April 1, 1982.

Operating Expenses

Increases or (decreases) in operating expenses, excluding taxes, from the preceding calendar year are presented in the following table:

	Increase (Decrease) from Prior Year	
	(Millions of Dollars)	
Classification	1983	1982
Fuel used in electric generation	**$ 45.8**	$(19.6)
Power purchased, net	**(22.4)**	16.2
Gas purchased for resale	**56.6**	66.0
Other operation and maintenance	**9.9**	13.1
Depreciation and amortization	**1.6**	3.7
Total	**$ 91.5**	$ 79.4

The increase in *Fuel used in electric generation* expense in 1983 was primarily the result of the increased average cost of fuel burned ($2.08 per million BTU in 1983 versus $2.01 in 1982) and increased generation as a result of greater customer demand. The decrease in such expense in 1982 was primarily the result of decreased generation (9.1%) as a result of reduced customer demand, the purchase of less costly off-peak power and an 82% decrease in generation from No. 6 fuel oil. *Power purchased, net* expense varies with the availability of lower-priced power from other utilities, the needs of the Company to augment its generating sources and the ability to sell power to other utilities. Increases in *Gas purchased for resale* expense are a result of the inclusion of the cost of natural gas of Carolina Energies, Inc. since April 1, 1982 and the continued upward trend in the price of natural gas from the Company's suppliers. *Other operation and maintenance* expenses increased as a result of higher wages and related employee benefits and the higher costs of materials. Increased *Depreciation and amortization* expenses are consistent with the increased amount of plant-in-service. With commercial operation of Summer Station on January 1, 1984, operation and maintenance expenses, including depreciation and amortization, are expected to show significant increases; however the Company anticipates lower fuel costs due to the use of nuclear fuel.

Interest Expense

Interest expense, excluding allowance for borrowed funds used during construction, decreased $1.1 million in 1983 and increased $4.2 million in 1982. The decrease in interest expense for 1983 was primarily due to lower interest rates. The increase in such expense for 1982 was the result of increased debt outstanding and a higher average rate of interest on such debt.

Inflation

For the estimated effects of inflation on the Company's operations see pages 36-37.

Selected Financial Data

For the Years Ended December 31,	1983	1982	1981	1980	1979	1978	1973
Statement of Income Data	*(Thousands of Dollars except statistics and per share amounts)*						
Operating Revenues:							
Electric	**$634,127**	$574,113	$555,716	$470,765	$401,281	$382,370	$162,650
Gas	**337,282**	266,389	188,167	157,643	138,386	101,804	39,693
Transit	**3,242**	2,603	2,429	2,338	2,146	1,927	1,898
Total Operating Revenues	**974,651**	843,105	746,312	630,746	541,813	486,101	204,241
Operating Expenses:							
Fuel used in electric generation	**260,381**	214,617	234,243	204,948	185,624	184,047	52,015
Gas purchased for resale	**277,091**	220,502	154,502	121,642	110,702	73,455	21,748
Other operation and maintenance	**135,374**	147,840	118,519	101,130	67,963	55,352	44,703
Depreciation and amortization	**45,000**	43,406	39,691	36,822	35,444	32,643	20,450
Taxes	**106,932**	77,033	89,049	73,356	62,008	65,853	24,047
Total Operating Expenses	**824,778**	703,398	636,004	537,898	461,741	411,350	162,963
Operating Income	**149,873**	139,707	110,308	92,848	80,072	74,751	41,278
Other Income:							
Allowance for funds used during construction:							
Borrowed and equity	—	—	—	—	—	—	6,320
Equity	**10,244**	6,618	4,530	6,003	16,608	18,340	—
Other	**1,327**	(1,388)	16,565	12,895	10,348	10,935	2,938
Total Other Income	**11,571**	5,230	21,095	18,898	26,956	29,275	9,258
Income Before Interest Charges	**161,444**	144,937	131,403	111,746	107,028	104,026	50,536
Interest Charges (Credits):							
Interest	**95,503**	96,640	92,409	75,772	64,263	54,527	23,820
Allowance for borrowed funds used during construction	**(37,997)**	(39,519)	(36,889)	(27,726)	(12,916)	(10,848)	—
Total Interest Charges, Net	**57,506**	57,121	55,520	48,046	51,347	43,679	23,820
Net Income	**103,938**	87,816	75,883	63,700	55,681	60,347	26,716
Dividends on Preferred Stock	**17,186**	16,371	14,245	12,949	12,315	10,600	6,259
Earnings Available for Common Stock	**$ 86,752**	$ 71,445	$ 61,638	$ 50,751	$ 43,366	$ 49,747	$ 20,457
Weighted Average Number of Common Shares Outstanding (Thousands)	**37,844**	34,387	28,139	25,148	23,540	22,029	11,714
Earnings Per Share of Common Stock	**$2.29**	$2.08	$2.19	$2.02	$1.84	$2.26	$1.75
Dividends Declared Per Share of Common Stock	**$2.00**	$1.92	$1.82	$1.74	$1.68	$1.62	$1.43
Percent of Operating Income (Loss) Before Income Taxes:							
Electric	**93**	98	101	95	97	94	87
Gas	**10**	5	2	8	6	9	15
Transit	**(3)**	(3)	(3)	(3)	(3)	(3)	(2)

December 31,	1983	1982	1981	1980	1979	1978	1973
Balance Sheet Data	*(Thousands of Dollars except statistics and per share amounts)*						
Gross Utility Plant	**$2,509,581**	$2,411,479	$2,131,689	$1,952,309	$1,804,289	$1,661,880	$870,731
Total Assets	**$2,358,134**	$2,202,755	$1,958,772	$1,802,392	$1,650,395	$1,522,707	$767,446
Capitalization:							
Common equity	**$ 709,908**	$ 659,135	$ 545,941	$ 486,158	$ 449,397	$ 417,471	$206,882
Preferred stock:							
Not subject to purchase or sinking funds	**26,262**	26,262	26,262	26,262	26,262	26,262	6,262
Subject to purchase or sinking funds	**160,604**	163,619	141,217	144,649	126,364	128,019	81,354
Long-term debt (excludes current portion)	**789,216**	854,844	764,971	731,007	672,958	641,457	357,972
Total Capitalization	**$1,685,990**	$1,703,860	$1,478,391	$1,388,076	$1,274,981	$1,213,209	$652,470
Common Shares Outstanding (Year-End) (Thousands)	**38,728**	36,526	29,690	26,261	24,195	22,440	11,746
Book Value Per Share of Common Stock (Year-End)	**$18.33**	$18.05	$18.39	$18.51	$18.57	$18.60	$17.61
Other Statistics							
Electric:							
Customers (Year-End)	**366,424**	356,709	350,596	344,588	336,700	328,797	290,180
Sales (Million KWH)	**12,063**	11,490	11,763	11,809	11,252	11,621	10,492
Residential:							
Average annual use per customer (KWH)	**12,009**	11,712	12,183	12,580	11,627	12,269	11,291
Average annual rate per KWH	**$.0642**	$.0637	$.0577	$.0499	$.0464	$.0437	$.0229
Generating Capability—Net MW (Year-End)	**3,359**	3,359	3,359	3,359	3,359	3,364	2,918
Territorial Peak Demand—Net MW	**2,700**	2,463	2,557	2,489	2,299	2,271	1,762
Gas:							
Customers (Year-End)	**187,638**	186,320	169,294	166,470	164,277	162,412	154,348
Sales (Thousand Therms)	**671,429**	590,257	493,305	506,528	545,387	501,273	455,087
Residential:							
Average annual use per customer (therms)	**610**	570	665	682	684	751	741
Average annual rate per therm	**$.65**	$.56	$.49	$.44	$.34	$.31	$.17
Transit:							
Number of Coaches	**112**	104	104	102	96	96	96
Revenue Passengers Carried (Thousands)	**9,744**	10,720	10,820	10,357	9,548	8,658	8,978

Supplementary Financial Statements Adjusted For Changing Prices (Unaudited)

Financial statements prepared in accordance with generally accepted accounting principles have traditionally provided a quantifiable basis for assessing financial results. Because these reports reflect dollars of varying purchasing power, the traditional financial statements are not designed to furnish data necessary to evaluate inflation's impact. The following constant dollar and current cost supplementary financial statement data are presented in an attempt to provide certain information regarding the estimated effect of inflation on the Company's operations. The constant dollar presentation indicates the estimated effect of the general rate of inflation on the Company. The current cost amounts reflect changes in specific prices of the Company's property, plant and equipment. The data presented were developed in accordance with the partial restatement provisions of Financial Accounting Standards Board Statement No. 33, and are not intended to adjust actual reported earnings nor do they provide a basis for income tax reporting or rate-making.

See the accompanying Notes to Supplementary Financial Statements for additional information.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (Average 1983 Dollars)

	Years Ended December 31,				
	1983	1982 (b)	1981	1980	1979
	(Thousands Except Per Share Amounts and Consumer Price Index)				
Net income					
(excluding net inflation adjustments, other than depreciation):					
As Reported	**$103,938**	$ 87,816	$ 75,883	$ 63,700	$ 55,681
Constant Dollars	**43,166**	30,515	26,632	26,864	31,342
Current Cost	**35,248**	21,992	16,311	15,722	16,486
Income per share of common stock					
(after dividend requirements on preferred stock and excluding net inflation adjustments other than depreciation):					
As Reported	**$ 2.29**	$ 2.08	$ 2.19	$ 2.02	$ 1.84
Constant Dollars	**.69**	.39	.42	.45	.61
Current Cost	**.48**	.15	.06	.002	(.01)
General information					
Operating revenues:					
As Reported	**$974,651**	$843,105	$746,312	$630,746	$541,813
Constant Dollars	**974,651**	870,227	817,309	762,588	743,500
Unrealized gain resulting from decrease in purchasing power of net monetary liabilities	**73,811**	77,465	105,077	149,329	165,343
Net assets at year-end at net recoverable cost (a)	**723,799**	708,142	613,988	591,651	612,857
Increase in general price level over specific prices	**32,538**	86,596	117,083	(15,093)	(98,343)
Cash dividends declared per share of common stock:					
As Reported	**2.00**	1.92	1.82	1.74	1.68
Constant Dollars	**2.00**	1.98	1.99	2.11	2.31
Market price per share of common stock at year-end:					
As Reported	**17.75**	18.00	15.00	14.25	14.75
Constant Dollars	**17.45**	18.37	15.91	16.46	19.16
Average Consumer Price Index (CPI-U) (c)	**298.4**	289.1	272.4	246.8	217.4

(a) Excluding preferred stock (subject to purchase or sinking funds).
(b) Restated—See Note 2B of the Notes to Consolidated Financial Statements.
(c) 1967 = 100.

Summary Statement of Income Adjusted for Changing Prices

For the Year Ended December 31, 1983	Historical Cost As Reported	Constant Dollar Average 1983 Dollars	Current Cost Average 1983 Dollars
		(Thousands of Dollars)	
Operating Revenues	$974,651	$974,651	$974,651
Expenses:			
Fuel used in electric generation	260,381	260,381	260,381
Gas purchased for resale	277,091	277,091	277,091
Depreciation and amortization(a)	45,000	106,001	113,854
Other operation and maintenance	171,911	171,911	171,911
Income taxes	70,395	70,395	70,395
Interest charges	57,506	57,506	57,506
Other income, net(a)	(11,571)	(11,800)	(11,735)
Total expenses, net	870,713	931,485	939,403
Net Income	$103,938	43,166(b)	35,248
Inflation adjustments:			
Reduction of plant to lower recoverable value		(57,818)	(28,869)
Unrealized gain resulting from decrease in purchasing power of net monetary liabilities		73,811	73,811
Increase in current cost of property, plant and equipment(c)			97,018
Effect of increase in general price level			129,556
Increase in general price level over specific prices			32,538
Inflation adjustments, net		15,993	77,480
Net income after inflation adjustments		$ 59,159	$112,728

(a) As permitted in Financial Accounting Standards Board Statement No. 33, items in the summary statement of income, other than depreciation expense, were not adjusted.

(b) Including the reduction to net recoverable cost, net income on a constant dollar basis would have been $(14,652) for 1983.

(c) At December 31, 1983, the current cost of net utility plant was $4,046,595 while net historical cost or net cost recoverable through depreciation was $2,011,299.

Notes to Supplementary Financial Statements

1. PLANT AND EQUIPMENT The data adjusted for general inflation were determined by converting historical costs of utility plant and certain nonutility property into dollars of the same general purchasing power using the Consumer Price Index for All Urban Consumers (CPI-U). This method shows the effect of general inflation on the Company (constant dollars).

The current cost data reflect the cost of currently replacing existing plant assets. These costs were determined through use of the Handy Whitman Index of Public Utility Construction Costs and other valuation methods tailored specifically to the type asset being restated. Even so, replacement of some existing plant and equipment will take place over a period of time and may not result in replacement which would duplicate existing facilities.

2. ACCUMULATED DEPRECIATION The related accumulated depreciation for calculating current cost of net property, plant and equipment was developed by applying the same percentage relationship that existed between gross plant and accumulated depreciation by functional groups on a historical cost basis at December 31, 1983 and 1982, to the respective balances of the restated depreciable plant.

3. DEPRECIATION EXPENSE Depreciation expense for both the constant dollar and current cost methods was determined by applying the same rates and methodology used in computing historically booked depreciation to the restated depreciable plant.

4. REDUCTIONS OF PLANT TO LOWER RECOVERABLE VALUE The regulatory process limits the Company to the recovery of the historical costs of plant and equipment. Therefore, the value of the plant and equipment determined under the constant dollar and current cost methods must be reduced to the lower recoverable amount, which is historical cost.

5. UNREALIZED GAIN RESULTING FROM DECREASE IN PURCHASING POWER OF NET MONETARY LIABILITIES The Company, by holding monetary assets such as cash and receivables, loses purchasing power during periods of inflation because these items will purchase less at a future date. Alternatively, by incurring monetary liabilities, primarily long-term debt, the Company benefits because the payment in the future will be made with dollars having less purchasing power. Because the Company has significant amounts of long-term debt outstanding, this results in a net monetary gain. This gain does not represent an exchange of cash at present or in the future, but represents the effect of the changing value of the dollar.

6. INCREASE IN GENERAL PRICE LEVEL OVER SPECIFIC PRICES This results from the value of the particular plant and equipment held by the Company increasing at a lesser rate than the rate of general inflation as measured by the CPI-U.

7. OTHER Fuel inventories, the cost of fuel used in electric generation and gas purchased for resale have not been restated from their historical cost in nominal dollars. Regulation allows the recovery of fuel and purchased gas costs through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs.

Directors

J. K. Addy*
President, Addy Dodge, Inc.
Lexington, South Carolina

W. B. Bookhart, Jr.
Partner, W. B. Bookhart Farms
Elloree, South Carolina

W. R. Bruce*
Chairman and Chief Executive Officer
The Seibels Bruce Group, Inc.
Columbia, South Carolina

K. W. French
Retired Plant Manager
E. I. du Pont de Nemours & Co.
Savannah River Plant
Aiken, South Carolina

J. B. Guess, III
Owner, Edisto Farms
Denmark, South Carolina

B. A. Hagood
President, Wm. M. Bird and Co., Inc.
Charleston, South Carolina

J. F. Hassell, Jr.
Chairman of the Board and President
Pre-Stress Concrete Company, Inc.
Charleston, South Carolina

W. H. Hipp
President and Chief Executive Officer
The Liberty Corporation
Greenville, South Carolina

Avram Kronsberg
President, Edward's, Inc.
Charleston, South Carolina

J. H. Lumpkin
Of Counsel to the firm of McNair, Glenn, Konduros, Corley, Singletary, Porter & Dibble
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Winnsboro Petroleum Company
Winnsboro, South Carolina

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President
Colonial Development Company
Beaufort, South Carolina

Henry Ponder
President, Benedict College
Columbia, South Carolina

J. B. Rhodes
President, Rhodes Oil Company, Inc.
Walterboro, South Carolina

J. E. Schachte, Jr.*
President, Schachte Agency, Inc.
Charleston, South Carolina

V. C. Summer*
Chairman of the Board and
Chief Executive Officer
Columbia, South Carolina

W. H. Taylor
Chairman of the Board and
President
Twin City Motor Company, Inc.
Batesburg, South Carolina

E. C. Wall, Jr.
President
Canal Industries
Conway, South Carolina

J. A. Warren*
President and
Chief Operating Officer
Columbia, South Carolina

A. M. Williams
Chairman Emeritus
Columbia, South Carolina

DIRECTORS EMERITI

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W. B. Bookhart
F. M. Hipp
W. J. Keenan, Jr.
Edward Kronsberg
F. R. McMeekin
A. C. Mustard
John C. B. Smith

HONORARY DIRECTOR

C. J. Fritz

**Member of the Executive Committee*

Officers

V. C. Summer
Chairman of the Board and
Chief Executive Officer
(63)* [46]**

J. A. Warren
President and
Chief Operating Officer
(58) [26]

EXECUTIVE VICE PRESIDENTS

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Legal, Finance, Governmental and
Regulatory Affairs
(51) [1]

G. C. Meetze
Staff Officer to the President
(64) [45]

T. C. Nichols, Jr.
Operations
(55) [31]

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Power Operations
(61) [37]

C. L. Rye
Customer Operations
(54) [31]

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Computer Services
(56) [31]

Cathy B. Novinger
Administration
(34) [13]

B. M. Smith, Jr.
Marketing and Customer
Operations-Districts
(52) [25]

W. B. Timmerman
Finance
(37) [5]

J. W. Wedding
Corporate Planning and
Management Services
(58) [14]

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Customer Operations -
Metro Charleston
(35) [12]

V. R. Coward, Jr.
Corporate Communications
(45) [18]

G. C. Croft, Jr.
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Distribution Engineering
(58) [34]

O. W. Dixon, Jr.
Nuclear Operations
(53) [13]

J. W. Huggins
Property Management and
Facilities Planning
(61) [14]

J. Kinloch
Transit Operations
(47) [21]

Patricia T. Marcotsis
Governmental and
Regulatory Affairs
(36) [8]

S. C. McMeekin, Jr.
Customer Operations -
Metro Columbia
(41) [12]

E. C. Roberts
Legal Counsel
(46) [16]

R. W. Stedman
Controller
(42) [11]

J. H. Young, Jr.
Power Supply
(46) [21]

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E. F. Frick
Auditing
(58) [25]

R. D. Hazel
Planning
(47) [27]

B. T. Horton, Jr.
Finance
(40) [5]

OTHER OFFICERS

Betty C. Bissell
Secretary
(51) [26]

H. H. Gaddis
Treasurer
(58) [31]

J. G. Black, II
Assistant Treasurer
(45) [20]

Harriett M. Gardner
Assistant Secretary
(49) [27]

S. W. Holmes
Group Manager
Stockholder Relations
and Assistant Secretary
(51) [23]

T. R. Lide
Assistant Treasurer
(63) [37]

OFFICERS OF CAROLINA ENERGIES, INC.

Max Earwood
President and
General Manager
(51) [26]

W. N. Ackerman
Executive Vice President
Operations
(56) [34]

T. H. Hearn
Vice President
Accounting and Treasurer
(57) [25]

R. M. Kightlinger
Vice President
Engineering
(52) [10]

D. C. McNamara
Vice President
District Operations
(36) [6]

B. J. MacInnis
Assistant Vice President
Operations
(38) [20]

S. B. Harrington, Jr.
Controller
(51) [20]

**(age as of December 31, 1983)*
***[years of service as of December 31, 1983]*

Stockholder's Assistance Guide

What is the Company's mailing address?

South Carolina Electric & Gas Company
Post Office Box 764
Columbia, SC 29218

Where is SCE&G's stock listed?

SCE&G's common stock and 5% Cumulative Preferred Stock are listed and traded on the New York Stock Exchange. The trading symbol for the stock is SCG.

I've moved. Whom should I notify?

Notify the appropriate record-keeping agent for each type of security owned and list each account for which the change is applicable.

Common Stock
Record-Keeping and Paying Agent:
SCE&G Stockholder Relations Department (054) at the Company's mailing address

Cumulative Preferred Stock
Record-Keeping and Paying Agent:
South Carolina National Bank
Corporate Trust Department (A-104)
101 Greystone Boulevard
Columbia, SC 29226

How should I report a lost or stolen dividend check?

Write to the appropriate paying agent listed above.

How should I report a lost or stolen stock certificate?

Write immediately to the applicable transfer agent listed below. Specify the exact name of the owner as it appears on the certificate, the certificate number, the date it was issued and the number of shares. The transfer agent will ask you to complete certain forms and to pay the cost of an indemnity bond. To avoid loss or theft, keep stock certificates in a safe place, such as a bank safe deposit box.

Common Stock Transfer Agents (write to only one):

South Carolina National Bank Corporate Trust Department (A-104) 101 Greystone Boulevard Columbia, SC 29226	Manufacturers Hanover Trust Co. Stock Transfer Department Post Office Box 24935 Church Street Station New York, NY 10249

Cumulative Preferred Stock Transfer Agents (write to only one):

South Carolina National Bank Corporate Trust Department (A-104) 101 Greystone Boulevard Columbia, SC 29226	The Chase Manhattan Bank, N.A. Stock Transfer Dept. P. O. Box 469 Washington Bridge Station New York, NY 10033

Does SCE&G have a Dividend Reinvestment Plan?

The Company offers a plan and maintains its records. For further information or for answers to questions about your reinvestment account, write to SCE&G Stockholder Relations Department (054) at the Company's mailing address.

Who is the trustee and interest paying agent for the First and Refunding Mortgage Bonds?

Records are kept and interest is paid by Manufacturers Hanover Trust Company, Bond Trustee, P. O. Box 24935, Church Street Station, New York, NY 10249.

How can I receive information about the investors' association?

Write to: Association of SCE&G Investors
c/o Mr. Paul Quattlebaum, Jr.
63 East Bay Street
Charleston, SC 29401

Where can I obtain additional information about SCE&G?

Interim reports providing updated financial information and Company news are sent to stockholders with each dividend mailing. The Statistical Supplement to the 1983 Annual Report and the 1983 Form 10-K report to the Securities and Exchange Commission are available without charge from H. John Winn, III, Investor Relations Department (057) at the Company's mailing address.

Where is the Company's corporate headquarters?

Our corporate offices are located in the Palmetto Center office building at 1426 Main Street in Columbia, South Carolina.

South Carolina Electric & Gas Company
P.O. Box 764
Columbia, South Carolina 29218