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SOUTH CAROLINA ELECTRIC & GAS COMPANY
RESPONSE TO
REQUEST FOR ADDITIONAL FINANCIAL INFORMATION

1.a. Provide an update of the estimated annual cost by year to operate the subject facility for the first five full years of commercial operation. The types of costs included in the estimates should be indicated and included (but not necessarily be limited to) operation and maintenance expense (with fuel costs shown separately), taxes and a reasonable return on investment. (Enclosed is a form which should be used for each year of the five year period.) Indicate the projected plant capacity for the unit each year.

RESPONSE

See following pages.

ATTACHMENT FOR ITEM NO. 1.a.

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: VIRGIL C. SUMMER NUCLEAR STATION, UNIT NO. 1
FOR THE CALENDAR YEAR 1983

(thousands of dollars)

Operation and maintenance expenses	
Nuclear power generation	
Nuclear fuel expense (plant factor 70 %)	$ 35,897
Other operating expenses	28,706
Maintenance expenses	12,315
Total nuclear power generation	76,918
Transmission expenses	236
Administrative and general expenses	
Property and liability insurance	2,178
Other A.&G. expenses	14,050
Total A.&G. expenses	16,228
TOTAL O&M EXPENSES	93,382
Depreciation expense	41,899
Taxes other than income taxes	
Property taxes	1,400
Other	4,055
Total taxes other than income taxes	5,455
Income taxes - Federal	20,553
Income taxes - other	3,032
Deferred income taxes - net	10,093
Investment tax credit adjustments - net	(1,290)
Return (rate of return: 9.06 %)	91,717
TOTAL ANNUAL COST OF OPERATION	$ 264,841

ATTACHMENT FOR ITEM NO. 1.a.

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: VIRGIL C. SUMMER NUCLEAR STATION, UNIT NO. 1
FOR THE CALENDAR YEAR 1984

(thousands of dollars)

Operation and maintenance expenses	
Nuclear power generation	
Nuclear fuel expense (plant factor 70 %)	$ 33,119
Other operating expenses	31,436
Maintenance expenses	13,560
Total nuclear power generation	78,[illegible]
Transmission expenses	233
Administrative and general expenses	
Property and liability insurance	2,355
Other A.&G. expenses	16,392
Total A.&G. expenses	18,747
TOTAL O&M EXPENSES	97,095
Depreciation expense	41,899
Taxes other than income taxes	
Property taxes	1,400
Other	4,008
Total taxes other than income taxes	5,408
Income taxes - Federal	18,812
Income taxes - other	2,800
Deferred income taxes - net	10,676
Investment tax credit adjustments - net	(1,388)
Return (rate of return: 9.06 %)	88,267
TOTAL ANNUAL COST OF OPERATION	$ 263,569

ATTACHMENT FOR ITEM NO. 1.a.

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: VIRGIL C. SUMMER NUCLEAR STATION, UNIT NO. 1
FOR THE CALENDAR YEAR 1985

(thousands of dollars)

Operation and maintenance expenses	
Nuclear power generation	
Nuclear fuel expense (plant factor 84 %)	$ 41,027
Other operating expenses	34,550
Maintenance expenses	14,895
Total nuclear power generation	90,472
Transmission expenses	286
Administrative and general expenses	
Property and liability insurance	2,568
Other A.&G. expenses	17,914
Total A.&G. expenses	20,482
TOTAL O&M EXPENSES	111,240
Depreciation expense	41,899
Taxes other than income taxes	
Property taxes	1,400
Other	4,667
Total taxes other than income taxes	6,067
Income taxes - Federal	22,971
Income taxes - other	3,282
Deferred income taxes - net	5,383
Investment tax credit adjustments - net	(2,147)
Return (rate of return: 9.06 %)	84,782
TOTAL ANNUAL COST OF OPERATION	$ 273,477

ATTACHMENT FOR ITEM NO. 1.a.

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: VIRGIL C. SUMMER NUCLEAR STATION, UNIT NO. 1
FOR THE CALENDAR YEAR 19 86

(thousands of dollars)

Operation and maintenance expenses	
Nuclear power generation	
Nuclear fuel expense (plant factor 70 %)	$ 35,558
Other operating expenses	37,526
Maintenance expenses	16,365
Total nuclear power generation	89,449
Transmission expenses	281
Administrative and general expenses	
Property and liability insurance	2,799
Other A.&G. expenses	19,401
Total A.&G. expenses	22,200
TOTAL O&M EXPENSES	111,930
Depreciation expense	41,899
Taxes other than income taxes	
Property taxes	1,400
Other	4,121
Total taxes other than income taxes	5,521
Income taxes - Federal	20,424
Income taxes - other	3,026
Deferred income taxes - net	6,153
Investment tax credit adjustments - net	(1,412)
Return (rate of return: 8.94 %)	80,191
TOTAL ANNUAL COST OF OPERATION	$ 267,732

ATTACHMENT FOR ITEM NO. 1.a.

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING UNIT: VIRGIL C. SUMMER NUCLEAR STATION, UNIT NO. 1 FOR THE CALENDAR YEAR 1987

(thousands of dollars)

Operation and maintenance expenses	
Nuclear power generation	
Nuclear fuel expense (plant factor 70 %)	$ 37,307
Other operating expenses	41,055
Maintenance expenses	18,030
Total nuclear power generation	96,392
Transmission expenses	344
Administrative and general expenses	
Property and liability insurance	3,051
Other A.&G. expenses	21,253
Total A.&G. expenses	24,304
TOTAL O&M EXPENSES	121,040
Depreciation expense	41,899
Taxes other than income taxes	
Property taxes	1,400
Other	4,342
Total taxes other than income taxes	5,742
Income taxes - Federal	19,940
Income taxes - other	2,969
Deferred income taxes - net	5,297
Investment tax credit adjustments - net	(1,337)
Return (rate of return: 8.86 %)	76,068
TOTAL ANNUAL COST OF OPERATION	$ 271,618

1.b. Indicate the unit price per KWH experienced by each applicant on system wide sales of electric power to all customers for the most recent 12-month period.

RESPONSE: SOUTH CAROLINA ELECTRIC & GAS COMPANY

Unit price per KWH sold 12-months ended October 31, 1980 was 3.95¢.

RESPONSE: SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Unit price per KWH sold for fiscal period ended November 30, 1980 was 26.12 mills.

2. Provide a revised statement of the estimated cost of permanently shutting down the facility, a listing of what is included in such costs, the assumptions made in estimating the costs, the type of shutdown contemplated, and the expected source(s) of funds to cover these costs. Supply a copy of any document referenced in your response thereto.

3. Provide an updated estimate of the annual cost to maintain the shutdown facility in safe condition. Indicate what is included in the estimate, assumptions made in estimating costs, and the expected source(s) of funds to cover these costs.

RESPONSE

Financial qualifications of shut-down and decommissioning of V. C. Summer Nuclear Station.

The Applicants, South Carolina Electric & Gas Company (SCE&G) and South Carolina Public Service Authority (Authority), cannot at the present time provide an adequate figure for the future costs of decommissioning the V. C. Summer Nuclear Plant, primarily because of technological uncertainties as to optimum decommissioning procedures and lack of specific government requirements. It is difficult, if not impossible, to predict at this time which option as developed by the Nuclear Regulatory Commission to exercise, mothballing, entombment, or dismantling. Depending upon which plan of action is taken, present decommissioning costs could range from $1 million plus an annual maintenance charge of $100,000 for the lower level of decommissioning to $70 million for complete dismantling. However, the companies have retained the services of a consulting firm who is an expert in depreciation and decommissioning procedures to formulate a complete depreciation and decommissioning plan for the V. C. Summer Nuclear Plant. It is anticipated that this study will be complete prior to commercial operation of the plant.

The companies believe that decommissioning costs of the V. C. Summer Nuclear Plant will ultimately be allowed to be recovered in the rate process, although no such assurance can be given at the present time. Based on this assumption, SCE&G and the Authority's intentions are to build the collection of these funds onto the respective depreciation rates of the plant. This method is known as the "Negative Net Salvage" approach. The theory behind the "Negative Net Salvage" approach is that the ratepayers who receive the benefits of the nuclear facility over its service life should pay for its total cost (including the cost of decommissioning) and that future ratepayers should not be required to pay for facilities from which they derive little or no benefit. Periodic reviews of decommissioning costs will be made for any changes in economic conditions and advances in technology, and such changes will be incorporated into existing decommissioning costs.

It is proposed that the collection of any decommissioning costs through depreciation rates will be accumulated in unfunded reserves by the two companies. Such unfunded reserves would have the advantage of permitting the companies use of the reserve funds during the plant's operating life thereby increasing the two companies' cash flow and decreasing the need of borrowed funds for use in other construction expansion programs. In respect to SCE&G, approval of the South Carolina Public Service Commission (PSC), which has jurisdiction over rates and service of the Company, will be required for the method and collection process of the decommissioning costs. The Authority, which is not subject to PSC jurisdiction but subject to laws of the State of South Carolina, will adjust and collect their proportionate share of decommissioning costs over the life of the facility in accordance with the Authority's bond indenture and State law. The Authority's bond indentures and basic expansion bond resolution require the Authority to establish, maintain and collect rates sufficient to pay principal and interest on all bonds; to maintain all reserve accounts related to said bonds; to pay all payments in lieu of taxes; and to pay any and all amounts which may now and hereafter become obligated to pay from the revenues of the Authority by law or contract.

The applicants are of the opinion that they are financially capable of decommissioning the V. C. Summer Nuclear Plant at the expiration of its serviceable life regardless of which plan of action is undertaken. This opinion is expressed in confidence of both companies' financial history and present financial strength. During the past 13 years SCE&G has completed over $1.2 billion of external financing, while the Authority financed a like amount of $1.2 billion during the same period of time. These financings for both companies were accomplished without restrictions during a period of chaotic market conditions with both companies maintaining their investment quality ratings, "A" for SCE&G and "Al - A+" for the Authority, when many of the country's utilities were experiencing financial difficulty. Of particular importance is that during the last eight (8) years, 1973-80, of this thirteen (13) year period, the two companies have been able to finance the construction of the V. C. Summer

Nuclear Plant at an estimated cost to date of $825 million. It is the opinion of the companies that if they are financially able to raise $825 million in eight (8) years to construct this plant in addition to their other construction requirements, there is no doubt whatsoever they will be able to decommission the nuclear plant at the end of its useful life based on whatever method they may elect to use.

As of November 30, 1980, SCE&G had assets of $1.8 billion, operating revenues of $627.2 million and retained earnings of $128.0 million, while the Authority had assets of $1.4 billion, operating revenues of $178.2 million and retained earnings of $121.6 million. Further financial qualifications of both companies are set forth in the attached Financial Statements.

4. If revised since the last submittal, provide a copy of joint participation agreement setting forth the procedure by which the applicants will share operating expenses and, if necessary, decommissioning costs.

RESPONSE:

No change from prior submittal.

5. With respect to South Carolina Electric and Gas Company:

a. Provide copies of:

1) the 1979 annual reports to stockholders;
2) the most recent interim financial statements;
3) the prospectus for the company's most recent security issue;
4) the preliminary prospectus for any pending security issue; and
5) the 1979 SEC Form 10-K and the most recent SEC Form 10-Q.

RESPONSE:

Documents follow in requested sequence.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

P. O. BOX 764, COLUMBIA, SOUTH CAROLINA 29218

QUARTERLY REPORT

3RD QUARTER

ENDED

SEPTEMBER 30, 1980

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED BALANCE SHEETS

September 30, 1980 and 1979

(Unaudited)

ASSETS

	1980	1979
UTILITY PLANT (including construction work in progress; 1980 — $630,058,936; 1979 — $538,683,280) (Notes 1, 3 and 4):		
Electric	$1,702,124,409	$1,568,695,571
Gas	141,414,575	135,940,961
Transportation (coach)	4,423,871	3,662,516
Common	15,541,197	14,602,590
Nuclear fuel	43,142,145	41,714,564
Total	1,906,646,197	1,764,616,202
Less accumulated depreciation and amortization	354,600,116	323,161,878
Utility Plant, net	1,552,046,081	1,441,454,324
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property (substantially at cost)	9,687,409	9,621,753
Investment in, notes receivable and advances to subsidiary (Note 1)	12,717,616	12,217,054
Other investments and special funds (at cost or less)	91,192	86,321
Total Other Property and Investments	22,496,217	21,925,128
CURRENT ASSETS:		
Cash	8,280,686	4,760,803
Temporary cash investments	2,750,000	250,000
Special deposits	20,594	28,643
Receivables	57,716,385	54,271,576
Materials and supplies (at average cost or less):		
Fuel	70,242,960	62,038,019
Other	7,743,778	6,717,678
Prepayments	6,793,279	4,072,478
Total Current Assets	153,547,682	132,139,197
DEFERRED DEBITS:		
Unamortized debt expense	4,900,844	4,612,242
Other	30,892,665	16,113,789
Total Deferred Debits	35,793,509	20,726,031
TOTAL	$1,763,883,489	$1,616,244,680

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED BALANCE SHEETS

September 30, 1980 and 1979

(Unaudited)

LIABILITIES

	1980	1979
STOCKHOLDERS' INVESTMENT (EXCLUDING PREFERRED STOCK SUBJECT TO PURCHASE OR SINKING FUNDS) (Note 5):		
Preferred stock (Not subject to purchase or sinking funds)	$ 26,261,700	$ 26,261,700
Common stock (Authorized 30,000,000 shares; Outstanding, 1980 — 25,865,62[illegible] shares; 1979 — 23,942,162 shares)	116,395,330	107,739,729
Premium on common stock	229,772,332	209,785,833
Other paid-in capital	4,310,985	4,243,848
Capital stock expense (debit)	(5,984,139)	(5,863,374)
Retained earnings:		
Unappropriated	134,974,039	126,084,033
Appropriated	411,401	411,401
Total Stockholders' Investment (Excluding Preferred Stock Subject to Purchase or Sinking Funds)	506,141,648	468,663,170
PREFERRED STOCK (SUBJECT TO PURCHASE OR SINKING FUNDS) (Note 6)	144,724,300	126,774,300
LONG-TERM DEBT (Notes 3 and 4):		
Principal amounts	714,481,645	661,738,120
Less unamortized discount and premium, net	938,977	1,010,718
Long-Term Debt, net	713,542,668	660,727,402
Total Capitalization	1,364,408,616	1,256,164,872
CURRENT LIABILITIES:		
Short-term borrowings:		
Banks	628,900	1,261,300
Other	2,242,789	15,298,745
Accounts payable and customer rate refunds (Note 2)	51,398,448	35,944,057
Customer deposits	6,130,029	6,059,873
Taxes accrued	21,[illegible]47,508	14,467,634
Interest accrued	17,700,784	16,576,809
Dividends declared	14,496,641	13,136,286
Current portion of long-term debt (Note 3)	72,844,208	76,689,100
Tax collections payable	1,029,286	923,613
Other	1,049,226	1,632,579
Total Current Liabilities	189,467,819	181,989,996
DEFERRED CREDITS:		
Accumulated deferred investment tax credits (Note 1)	69,461,873	63,537,221
Accumulated deferred income taxes (Note 1)	121,382,400	110,480,100
Other	19,162,781	4,072,491
Total Deferred Credits	210,007,054	178,089,812
COMMITMENTS AND CONTINGENCIES (Note 7)		
TOTAL	$1,763,883,489	$1,616,244,680

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED STATEMENTS OF INCOME

For The Periods Ended September 30, 1980 and 1979

(Unaudited)

	3 Mos. Ended Sept. 30,		9 Mos. Ended Sept. 30,		12 Mos. Ended Sept. 30,	
	1980	1979	1980	1979	1980	1979
OPERATING REVENUES (Notes 1 and 2):						
Electric	$151,022,976	$122,025,922	$361,871,049	$300,714,044	$462,437,808	$388,560,551
Gas	26,288,612	29,084,642	117,986,579	96,959,693	159,412,849	120,951,810
Transportation (coach)	609,231	554,334	1,753,298	1,555,987	2,343,830	2,073,697
Total Operating Revenues	177,920,819	151,664,898	481,610,926	399,229,724	624,194,487	511,586,058
OPERATING EXPENSES:						
Fuel used in electric generation	74,343,814	54,754,804	165,339,243	138,596,705	212,366,145	180,177,535
Power purchased, net (credit)	(2,267,166)	(1,697,779)	2,258,615	(3,876,285)	329,359	(3,347,928)
Gas purchased for resale	21,345,037	25,032,010	89,476,852	75,224,747	124,953,754	92,733,799
Other operation	12,593,319	12,120,094	41,881,985	35,706,758	55,255,571	46,009,718
Maintenance	7,201,284	5,940,738	21,495,483	17,213,621	28,970,770	22,873,819
Depreciation and amortization (Note 1)	9,274,100	8,916,600	27,703,964	26,798,764	36,349,364	35,152,764
Taxes (Note 1):						
Other than income	8,280,156	7,243,518	23,647,873	20,481,101	30,501,944	25,875,892
State income	1,841,800	1,038,400	3,836,600	2,239,700	4,459,700	2,930,700
Federal income	10,545,000	5,189,300	[illegible]92,900	9,817,200	22,073,800	7,518,300
Provision for deferred income	8,338,400	5,773,500	18,652,100	13,046,200	22,395,693	17,074,031
Deferred taxes (credit)	(3,172,300)	(1,128,100)	(12,511,400)	(6,504,400)	(13,839,921)	(6,911,570)
Investment tax credit adjustments:						
Amount deferred	102,322	2,925,891	7,662,323	9,837,891	8,754,322	15,585,991
Amortization of amounts deferred (credit)	(267,106)	(271,014)	(880,701)	(804,903)	(1,150,855)	(1,001,792)
Total Operating Expenses	148,158,660	125,837,962	407,455,837	337,777,099	531,419,646	434,671,259
OPERATING INCOME	29,762,159	25,826,936	74,155,089	61,452,625	92,774,841	76,914,799
OTHER INCOME (Note 1):						
Allowance for equity funds used during construction	1,494,260	4,219,907	4,456,227	12,192,170	8,872,064	16,281,068
Income tax-credit	3,235,700	2,477,500	9,489,300	7,137,900	12,037,500	9,585,900
Other income, net, less income tax effects (debit)	(3,117)	313,397	100,321	377,130	385,004	745,623
Total Other Income	4,726,843	7,010,804	14,045,848	19,707,200	21,294,568	26,612,591
INCOME BEFORE INTEREST CHARGES	34,489,002	32,837,740	88,200,937	81,159,825	114,069,409	103,527,390
INTEREST CHARGES:						
Interest on long-term debt	17,008,730	15,130,814	50,762,103	43,464,721	66,074,369	57,188,801
Amortization of debt premium, discount and expense, net	152,651	143,757	448,143	447,594	596,280	604,501
Other interest expense	1,258,726	1,020,294	5,715,678	3,545,064	7,060,566	4,152,442
Allowance for borrowed funds used during construction (credit) (Note 1)	(6,646,797)	(3,325,408)	(20,232,470)	(9,413,623)	(23,734,420)	(12,329,053)
Total Interest Charges	11,773,310	12,969,457	36,693,454	38,043,756	49,996,795	49,616,691
NET INCOME	22,715,692	19,868,283	51,507,483	43,116,069	64,072,614	53,910,699
DIVIDENDS ON PREFERRED STOCK	3,245,041	3,080,578	9,353,497	9,243,060	12,425,435	11,924,394
EARNINGS AVAILABLE FOR COMMON STOCK	$ 19,470,651	$ 16,787,705	$ 42,153,986	$ 33,873,009	$ 51,647,179	$ 41,986,305
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,323,253	23,927,831	24,785,499	23,326,042	24,634,423	23,101,082
EARNINGS PER SHARE OF COMMON STOCK (WEIGHTED AVERAGE)	$ .77	$ .70	$1.70	$1.45	$2.10	$1.82
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ .435	$ .42	$1.305	$1.26	$1.725	$1.665

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For The Periods Ended September 30, 1980 and 1979

(Unaudited)

	9 Months Ended Sept. 30, 1980	9 Months Ended Sept. 30, 1979	12 Months Ended Sept. 30, 1980	12 Months Ended Sept. 30, 1979
UNAPPROPRIATED:				
Balance at beginning of period (Note 2)	$125,415,384	$121,735,947	$126,084,033	$122,710,846
Add — Net income	51,507,483	43,116,069	64,072,614	53,910,699
Total	176,922,867	164,852,016	190,156,647	176,621,545
Deduct — Cash dividends declared:				
Preferred stock	9,353,497	9,243,060	12,425,435	11,924,394
Common stock	32,595,331	29,524,923	42,757,173	38,613,118
Total Deductions	41,948,828	38,767,983	55,182,608	50,537,512
Unappropriated retained earnings at end of period (Note 5)	134,974,039	126,084,033	134,974,039	126,084,033
APPROPRIATED:				
Balance at beginning of period	411,401	391,858	411,401	391,858
Current provision	—	19,543	—	19,543
Appropriated retained earnings at end of period	411,401	411,401	411,401	411,401
TOTAL RETAINED EARNINGS AT END OF PERIOD	$135,385,440	$126,495,434	$135,385,440	$126,495,434

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For The Periods Ended September 30, 1980 and 1979

(Unaudited)

	9 Months Ended Sept. 30, 1980	9 Months Ended Sept. 30, 1979	12 Months Ended Sept. 30, 1980	12 Months Ended Sept. 30, 1979
WORKING CAPITAL PROVIDED:				
Net income	$ 51,507,483	$ 43,116,069	$ 64,072,614	$ 53,910,699
Charges (credits) to income not providing or requiring working capital:				
Depreciation and amortizaion	27,703,964	26,798,764	36,349,364	35,152,764
Amortization of debt premium, discount and expense, net	448,143	447,594	596,280	604,501
Deferred income taxes, net	6,140,700	6,541,800	8,555,772	10,162,461
Investment tax credit, net	6,781,622	9,032,988	7,603,467	14,584,199
Allowance for funds used during construction (AFC)	(24,688,697)	(21,605,793)	(32,606,484)	(28,610,121)
Total from Operations	67,893,215	64,331,422	84,571,013	85,804,503
Sale of securities:				
Mortgage bonds, net	49,562,500	83,856,250	49,562,500	83,856,250
Preferred stock	20,000,000	15,000,000	20,000,000	35,000,000
Common stock	24,714,135	24,531,919	28,642,100	28,916,022
Issuance of unsecured note - bank	15,000,000	—	15,000,000	—
Issuance of secured notes - bank	80,000,000	—	80,000,000	—
Increase (decrease) in nuclear fuel liability, net	(596,000)	3,494,871	1,374,436	5,903,342
Increase in fossil fuel liability, net	20,480,000	—	20,480,000	—
Decrease in other non-current funds, net	—	—	1,751,416	—
Total Working Capital Provided	277,053,850	191,214,462	301,381,465	239,480,117
WORKING CAPITAL APPLIED:				
Utility plant additions (excluding AFC but including nuclear fuel)	82,275,914	84,664,952	115,607,936	118,651,452
Cash dividends declared:				
Preferred stock	9,353,497	9,243,060	12,425,435	11,924,394
Common stock	32,595,331	29,524,923	42,757,173	38,613,118
Reduction of long-term debt	124,299,543	69,224,839	114,039,170	70,243,611
Retirement of preferred stock	1,640,000	16,245,000	2,050,000	16,660,000
Increase in:				
Other property and investments	404,342	17,609	571,089	1,511,518
Other non-current funds, net	1,072,223	89,612	—	3,924,221
Total Working Capital Applied	251,640,850	209,009,995	287,450,803	261,528,314
INCREASE (DECREASE) IN WORKING CAPITAL	$ 25,413,000	$ (17,795,533)	$ 13,930,662	$ (22,048,197)
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT:				
Cash	$ 1,602,078	$ 743,308	$ 3,519,883	$ (4,604,517)
Temporary cash investments	2,600,000	250,000	2,500,000	(9,633,980)
Receivables	(2,681,458)	7,381,271	3,444,809	5,026,968
Materials and supplies	11,071,246	1,003,878	9,231,041	17,580,779
Short-term borrowings	33,283,370	(6,229,638)	13,688,356	(2,063,639)
Current portion of long-term debt	(7,354,525)	(28,686,455)	3,844,892	(28,096,239)
Accounts payable and accruals	(15,686,713)	6,221,862	(25,011,071)	(1,185,664)
Prepayments and special deposits	2,579,002	1,520,241	2,712,752	928,095
INCREASE (DECREASE) IN WORKING CAPITAL	$ 25,413,000	$ (17,795,533)	$ 13,930,662	$ (22,048,197)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

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 prescribed by the Federal Energy Regulatory Commission (FERC) and the South Carolina Public Service Commission (PSC).

B. Principles of Consolidation

The accounts of the Company's wholly-owned subsidiaries, South Carolina LNG Company, Inc. and South Carolina Fuel Company, Inc., are consolidated in the accompanying Consolidated Financial Statements.

The Company's investment in its wholly-owned subsidiary, Energy Subsidiary, Inc., is reported in the accompanying Consolidated Financial Statements using the equity method of accounting.

C. Utility Plant

Utility plant is stated at original cost. The cost 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 along with the cost of removal, less salvage, is charged to accumulated depreciation. The cost of repairs, replacements and renewals of items of property determined to be less than a unit of property is charged to maintenance expense.

D. Allowance for Funds Used During Construction

Allowance for funds used during construction (AFC), a non-cash item, reflects the cost for the period of capital devoted to plant under construction. This cost represents interest charges on borrowed funds and a reasonable rate of return on equity funds so used. 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. AFC is calculated using a 6.5% rate except for AFC related to nuclear fuel which is capitalized at the actual amount thereof. Effective January 1, 1980, the Company began allocating a greater amount of total AFC to the debt portion and a lesser amount to the equity portion. This change results from the Company using an AFC rate which is lower than the maximum allowable rate as calculated under FERC Order No. 561. Such change has no effect on total AFC.

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 3.02% and 3.05% for the twelve months ended September 30, 1980 and 1979, respectively.

F. Income Taxes

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

Income taxes are allocated to "Operating Expenses" and "Other Income." The income tax-credit under "Other Income" results from tax deductions related to interest expense arising principally from investments in construction work in progress.

Investment tax credits on eligible property as provided by the Revenue Act of 1971 and the Tax Reduction Act of 1975 are being amortized over the lives of the respective assets. The Company has approximately $10.2 million of unused 1979 investment tax credits available for carryover to future years.

The Company's Federal income tax returns have been examined through 1975.

G. Pension Plan

The Company has a pension plan covering all employees. Total pension contributions, including amortization of unfunded prior service cost, were approximately $5.3 million and $4.5 million for the twelve months ended September 30, 1980 and 1979, respectively. Unfunded prior service cost of approximately $4.5 million, based on the latest actuarial valuation effective January 1, 1980, is being amortized over twenty-year periods ending in 1997 and 1999.

The Company's policy is to fund pension costs accrued. There was an excess of approximately $12.0 million of vested benefits over total plan assets based on the latest actuarial valuation.

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 recorded in the month during which the gas is used rather than when the revenue is billed.

The Company collects projected fuel costs in base rates as established by the PSC during semi-annual hearings. Revenue attributable to any over or under collections is recorded currently as unbilled revenue with any resultant balance to be included during the next PSC hearing to consider any change in the fuel component of base rates.

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:

On June 30, 1980, the PSC granted an electric retail rate increase amounting to approximately $33.5 million annually or approximately 86% of the amount requested in an application by the Company filed June 1, 1979. The order also required refunds to the Company's electric retail customers of approximately $5.4 million ($2.6 million relating to 1979 revenues) plus interest. The Company made refunds to its customers during September 1980.

As a result of this order, previously reported operating results were restated as follows:

	Year Ended December 31, 1979		Quarter Ended March 31, 1980	
	Previously Reported	As Adjusted	Previously Reported	As Adjusted
	(Millions of dollars except per share amounts)			
Total electric operating revenues	$403.9	$401.3	$109.4	$107.6
Operating income . . .	81.4	80.1	25.1	24.2
Net income	57.0	55.7	18.4	17.5
Earnings available for common stock	44.7	43.4	15.3	14.4
Earnings per share of common stock (weighted average)	1.90	1.84	.63	.59
Retained Earnings (Unappropriated) . .	126.7	125.4	131.5	129.2

Intervenors have appealed a PSC denial for rehearing to the South Carolina Circuit Court. The revenues (approximately $15.4 million and $41.9 million at December 31, 1979 and September 30, 1980, respectively) being collected subject to the PSC rate order may be subject to refund, in whole or in part, as a result of these appeals. Although the Company is unable to predict the outcome of such appeals, it believes that any resultant decisions will not have an adverse financial impact.

As a result of a prior rate case, the PSC had ordered a refund of approximately $7 million from net interchange sales of electricity to other utilities. The Company has appealed this ruling to the South Carolina Supreme Court. The $7 million refund was eliminated from 1977 revenues and recorded as a liability. An adverse determination of the Company's appeal would not have a negative effect on the Company's Consolidated Financial Statements.

3. LONG-TERM DEBT:

		Sept. 30, 1980	Sept. 30, 1979
		(Thousands of Dollars)	
First and Refunding Mortgage Bonds:			
3%	Series, due 1980	$ —	$ 22,200
3%	Series A, due 1980	4,000	4,000
8.45%	Series, due 1981	40,000	40,000
3¾%	Series, due 1981	3,750	3,840
7%	Series, due 1982	50,000	50,000
4⅛%	Series, due 1983	2,620	2,680
9⅝%	Series, due 1984	25,000	25,000
3½%	Series, due 1985	3,425	3,500
5½%	Series, due 1987	7,150	7,300
4⅞%	Series, due 1988	10,000	10,000
10½%	Series, due 1990	12,000	12,600
5%	Series, due 1990	10,000	10,000
5%	Series, due 1991	8,000	8,000
4⅞%	Series, due 1995	16,000	16,000
5.45%	Series, due 1996	15,000	15,000
6%	Series, due 1997	15,000	15,000
6½%	Series, due 1998	20,000	20,000
8%	Series, due 1999	35,000	35,000
9⅛%	Series, due 1999	15,000	15,000
8%	Series, due 2001	35,000	35,000
7¼%	Series, due 2002	30,000	30,000
9⅛%	Series, due 2006	50,000	50,000
8.40%	Series, due 2006	50,000	50,000
8⅜%	Series, due 2007	30,000	30,000
8.90%	Series, due 2008	30,000	30,000
10⅛%	Series, due 2009	35,000	35,000
9⅞%	Series, due 2009	50,000	50,000
12.15%	Series, due 2010	50,000	—

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Pollution Control Facilities Revenue Bonds:		
4½% Series, prior to October 1, 1979, thereafter 70% of applicable prime rate until October 1, 1983 and 75% of such prime rate until maturity, due 1987	5,155	5,155
5.95% Series, due 2003	7,500	7,500
First Mortgage Bonds:		
4% Series, due 1981	—	362
5% Consolidated Mortgage Gold Bonds, due 1999 (non-callable)	1,054	1,063
Unsecured Notes — Banks, with interest not to exceed 7.625% through March 1980. Due $30 million in 1980 and $15 million in 1981 with interest at prime rate plus ½ of 1%	15,000	45,000
Term bank loan with interest based on greater of Chase prime rate or one percent above the rates of certificates of deposits of major U.S. money market banks, due 1983	30,000	—
First Mortgage Bonds — South Carolina LNG Co., Inc., 10½% Series, due 1990	9,430	10,120
South Carolina Fuel Company, Inc. (See Note 4):		
Nuclear fuel liability (Sept. 30, 1979, Nuclear Fuel Trust)	43,089	41,715
Fossil fuel liability	20,480	—
Capitalized lease obligations — vehicles	3,673	2,393
Total	787,326	738,428
Less current portion of long-term debt	72,844	76,689
Total	$714,482	$661,739

The Company has issued and pledged $30 million First and Refunding Mortgage Bonds, 14½% Series due April 1, 1983 as collateral for the $30 million term loan of Chase Manhattan Bank, N.A. Under the terms of a Credit and Security Agreement (the Agreement) interest on such bonds is applied to the payment of interest on the term loan as long as the term loan is not in default, with any excess interest being returned to the Company. The Agreement also provides that the Bonds will be retired in principal amounts corresponding with and equal to payments on the term loan.

Substantially all utility plant is mortgaged in connection with the various issues of long-term debt. Approximately $7.6 million of the current portion of long-term debt at September 30, 1980 may be satisfied by deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits.

4. FUEL FINANCINGS:

The Company assigned to South Carolina Fuel Company, Inc., a wholly-owned subsidiary, all of its rights and interests in its various contracts relating to the acquisition and ownership of nuclear fuel during 1979 and fossil fuel in July 1980. The subsidiary finances these investments through the issuance of short-term commercial paper supported by irrevocable bank lines of credit. The agreements provide for maximum amounts that may be outstanding at any time.

	Outstanding at Sept. 30, 1980	Maximum Outstanding at Any time
	(000)	(000)
Nuclear Fuel	$43,089	$50,000
Fossil Fuel	20,480	30,000

Due to the irrevocable lines of credit supporting the commercial paper borrowings, the amounts outstanding have been included in long-term debt. Certain September 30, 1979 amounts relating to nuclear fuel have been reclassified to conform to current classifications.

5. STOCKHOLDERS' INVESTMENT (EXCLUDING PREFERRED STOCK — SUBJECT TO PURCHASE OR SINKING FUNDS):

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Preferred Stock:		
Cumulative $100 par value:		
8.40% Series (Authorized and Outstanding 200,000 shares)	$ 20,000	$ 20,000
Cumulative $50 par value:		
5% Series (Authorized and Outstanding 125,234 shares)	6,262	6,262
Total	$ 26,262	$ 26,262

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Common Stock: $4.50 par value; Authorized 30,000,000 shares; Outstanding, 1980 — 25,865,629 shares; 1979 — 23,942,162 shares	$116,395	$107,740

Increases in "Premium on common stock" for the twelve months ended September 30, 1980 ($20.0 million) and September 30, 1979 ($21.1 million) represent the premium on issuance of 1,923,467 and 1,746,111 shares of stock, respectively.

The increase in "Other paid-in capital" for the twelve months ended September 30, 1980 ($67 thousand) results from a net gain due to the reacquisition and retirement of 33,600 shares of preferred stock through purchase funds or sinking funds. The increase for the twelve months ended September 30, 1979 ($46 thousand) consists of gain on the reacquisition of 6,800 shares of preferred stock.

Increases in "Capital stock expense" for the twelve months ended September 30, 1980 ($121 thousand) and September 30, 1979 ($573 thousand) represent expenses in connection with the issuance of common stock ($4 thousand and $134 thousand for the twelve months ended September 30, 1980 and 1979, respectively) and preferred stock ($208 thousand and $467 thousand for the twelve months ended September 30, 1980 and 1979, respectively) less $91 thousand and $28 thousand for the twelve months ended September 30, 1980 and 1979, respectively, due to retirement of preferred stock through purchase funds or sinking funds.

The Restated Articles of Incorporation of the Company and the indentures underlying certain bond issues contain certain provisions that limit the payment of cash dividends on common stock. The most restrictive of these provisions would have permitted the payment of approximately $118.7 million and $119.4 million of cash dividends on common stock at September 30, 1980 and 1979, respectively.

6. PREFERRED STOCK (SUBJECT TO PURCHASE OR SINKING FUNDS):

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Cumulative $100 par value; Authorized 1,550,000 shares:		
7.70% Series (Outstanding, 1980 — 132,000 shares; 1979 — 135,000 shares)	$ 13,200	$ 13,500
8.12% Series (Outstanding, 1980 — 189,200 shares; 1979 — 193,600 shares)	18,920	19,360
10¾% Series (Outstanding 200,000 shares)	20,000	20,000
11.08% Series (Outstanding 200,000 shares)	20,000	—
Cumulative $50 par value; Authorized, 1980 — 1,806,486 shares; 1979 — 1,819,186 shares:		
4.50% Series (Outstanding, 1980 — 41,600 shares; 1979 — 43,200 shares)	2,080	2,160
4.60% Series (Outstanding, 1980 — 24,834 shares; 1979 — 26,334 shares)	1,242	1,317
4.60% Series A (Outstanding, 1980 — 56,052 shares; 1979 — 58,052 shares)	2,802	2,902
4.60% Series B (Outstanding, 1980 — 125,800 shares; 1979 — 129,200 shares)	6,290	6,460
5.125% Series (Outstanding, 1980 — 87,000 shares; 1979 — 88,000 shares)	4,350	4,400
6% Series (Outstanding, 1980 — 131,200 shares; 1979 — 134,400 shares)	6,560	6,720
8% Series (Outstanding 300,000 shares)	15,000	15,000
8.72% Series (Outstanding 400,000 shares)	20,000	20,000
9.40% Series (Outstanding, 1980 — 285,600 shares; 1979 — 299,100 shares)	14,280	14,955
Cumulative $25 par value; Authorized 2,000,000 shares: Outstanding — None	—	—
Total	$144,724	$126,774

The call premium of the respective series of preferred stock in no case exceeds the amount of the annual dividend.

The amount of purchase fund and sinking fund requirements for preferred stock for the succeeding twelve months was approximately $1.7 million at September 30, 1980.

The increase (decrease) in "Preferred Stock (Subject to Purchase or Sinking Funds)" outstanding for the twelve months ended September 30, 1980 and 1979 is summarized as follows:

	12 Months Ended			
	Sept. 30, 1980		Sept. 30, 1979	
	Number of Shares	Thousands of Dollars	Number of Shares	Thousands of Dollars
Issued:				
$100 par value	200,000	$20,000	—	$ —
$ 50 par value	—	—	700,000	35,000
Redeemed:				
$100 par value	(7,400)	(740)	(156,800)	(15,680)
$ 50 par value	(26,200)	(1,310)	(19,600)	(980)
Total	166,400	$17,950	523,600	$18,340

7. **COMMITMENTS AND CONTINGENCIES:**

A. Construction

In addition to routine commitments of approximately $16.5 million for operating materials and supplies, the Company at September 30, 1980 had commitments for major construction (including nuclear fuel) of approximately $360.1 million (includes one-third interest of South Carolina Public Service Authority) for construction of the 900 megawatt V.C. Summer Nuclear Station.

The Company and the South Carolina Public Service Authority (a public corporation of the State of South Carolina) have contracted to become joint owners at the V.C. Summer Nuclear Station on the basis of two-thirds by the Company and one-third by the Authority and to participate, on a like basis, in the costs of construction, costs of operation and in the energy output thereof. The Company's share (approximately $532.2 million and $439.5 million at September 30, 1980 and 1979, respectively) of costs of construction of the nuclear station is included in construction work in progress. Each owner is responsible for financing its own share of the nuclear station.

The Company has made a timely application and has been taking all steps possible to expedite the licensing process for an operating license for the V.C. Summer Nuclear Station. The Nuclear Regulatory Commission (NRC) has granted a petition to a third party to intervene. Construction and pre-operation testing will be substantially completed by the end of the first quarter of 1981 with commercial operation now estimated December 1981. Current delays by NRC in processing the licensing application and scheduling the hearings may delay the date for issuance of the operating license which could result in further delay in the date of commercial operation into the first half of 1982.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONSOLIDATED SYSTEM STATISTICS

	9 Months Ended Sept. 30,		12 Months Ended Sept. 30,		Calendar Year	
	1980	1979	1980	1979	1979	1969
ELECTRIC DEPARTMENT:						
Produced and Purchased—(Million of KWH):						
Steam	8,937	8,670	11,654	11,372	11,387	6,705
Internal combustion turbine	89	49	95	52	55	82
Hydro	859	772	1,102	876	1,016	533
Energy (credit) pumped storage plant	(641)	(455)	(810)	(526)	(625)	—
Purchased and interchange, net (credit)	488	30	515	69	57	307
Total output	9,732	9,066	12,556	11,843	11,890	7,627
Sales—(Million of KWH):						
Residential	2,923	2,647	3,656	3,341	3,380	1,972
Commercial	2,066	1,986	2,663	2,579	2,582	1,286
Industrial	3,053	2,978	4,080	3,949	4,006	2,361
Miscellaneous	251	243	326	316	318	136
Total ultimate consumers	8,293	7,854	10,725	10,185	10,286	5,755
Sales for resale	746	747	964	1,050	966	1,348
Total sales	9,039	8,601	11,689	11,235	11,252	7,103
Total Customers (End of Period)	—	—	341,999	334,594	336,700	250,249
Residential Service—Per Customer:						
Average annual energy use—KWH	—	—	12,358	11,563	11,627	9,163
Average annual rate (Cents per KWH)	—	—	4.96	4.52	4.64	1.89
Generating Capability, Net KW (000):						
Steam	—	—	2,326	2,402	2,326	1,145
Internal combustion turbine	—	—	277	249	277	158
Hydro	—	—	756	756	756	185
Peak Demand, Net KW—System (000)	3,574	2,965	3,574	2,965	2,965	1,516
Peak Demand, Net KW—Territorial (000)	2,489	2,299	2,489	2,299	2,299	1,290
GAS DEPARTMENT:						
Produced and Purchased for Resale—(Thousand Therms)	385,433	415,774	545,689	560,580	576,030	404,643
Sales—(Thousand Therms):						
Residential	77,342	78,792	101,152	98,064	102,602	90,829
Commercial	65,487	67,079	86,144	85,329	87,737	61,965
Industrial	209,317	233,897	294,453	311,374	319,033	188,569
Sales for resale	27,996	26,193	37,818	35,228	36,015	25,180
Total sales	380,142	405,961	519,567	529,995	545,387	366,543
Total Customers (End of Period)	—	—	162,608	160,911	164,277	120,641

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1979 Commission File Number 1-3375

SOUTH CAROLINA ELECTRIC & GAS COMPANY
(Exact name of registrant as specified in its charter)

SOUTH CAROLINA (State of incorporation)	57-0248695 (IRS Employer Identification No.)
328 MAIN STREET, COLUMBIA, SOUTH CAROLINA (Address of principal executive offices)	29218 (Zip Code)
Registrant's telephone number, including area code	(803) 799-1234

Securities registered pursuant to 12(b) of the Act:

Title of each class	Name of each exchange on which registered
5% Cumulative Preferred Stock par value $50 per share	New York Stock Exchange
Common Stock par value $4.50 per share	New York Stock Exchange

Securities registered pursuant to 12(g) of the Act:

Title of Class

The Class is comprised of the following series of Cumulative Preferred Stock, par value $50 per share or $100 per share, having a periodic sinking fund:

9.40% Cumulative Preferred Stock par value $50 per share	7.70% Cumulative Preferred Stock par value $100 per share
8.12% Cumulative Preferred Stock par value $100 per share	10.75% Cumulative Preferred Stock par value $100 per share
8.72% Cumulative Preferred Stock par value $50 per share	8.00% Cumulative Preferred Stock par value $50 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x . No ____ .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common $4.50 par value 24,194,863

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PART I

ITEM 1. Business.

The Company

South Carolina Electric & Gas Company (the "Company") is a South Carolina corporation organized in 1924 and has its principal executive office at 328 Main Street, Columbia, South Carolina 29218. Its telephone number is 803-799-1234.

Lines of Business

The Company's principal business is the production, transmission, distribution and sale of electricity and the purchase, transmission, distribution and sale of natural gas. The Company also renders urban bus service in the cities of Columbia and Charleston. As of December 31, 1979, the Company employed 3,215 persons as compared to 3,079 persons employed as of December 31, 1978. The Company's business is seasonal in that sales of electricity are higher during the summer months because of air conditioning requirements, and sales of gas are greater in the winter months due to its use for space heating.

Information with respect to lines of business for the years ended 1975 and 1976 is contained in the "Summary of Operations" appearing in the Company's 1979 Annual Report (copies of which annual report are being furnished to the Commission simultaneously with the filing of this Form 10-K) and information with respect to industry segments for the years ended December 31, 1977, 1978 and 1979 is contained in Note 10 of the Notes to Consolidated Financial Statements appearing in said Annual Report, all of which information is hereby incorporated herein by reference.

Service Area

The Company's service territory is located in 24 counties in the central, southern and southwestern portions of South Carolina. The area, which exceeds 12,000 square miles, covers about one-half of the State with a population of approximately 1.2 million. The most important industries in territories served by the Company are: cotton, synthetic fiber and woolen manufacturing, chemical and allied products, rubber and miscellaneous plastic products, fiberglass, electronic equipment and supplies, wood and paper products, office machinery, metal products, fiberglass boats and fishing rods, and stone, clay and sand processing.

Construction Program and Financing

The Company's construction program, which is subject to continuing review and adjustment, for 1980 and the four-year period 1981-1984 as now scheduled involves costs estimated as follows (estimates include allowance for funds used during construction estimated at $28,706,000 for 1980 and $33,374,000 for the 1981-1984 period and the cost of nuclear cores estimated at $6,100,000 for 1980 and $56,800,000 for the 1981-1984 period):

Construction Program and Financing (continued)

Type of Facilities	1980	1981-1984
	(Thousands of Dollars)	
Electric		
Generation	$ 95,090	$325,893
Transmission	9,253	82,645
Distribution	19,922	166,336
Other	4,406	13,354
Total Electric	128,671	588,228
Gas	4,229	14,380
Transportation (Coach)	114	444
Total Construction	$133,014	$603,052

The Company's cash requirements for 1980 are estimated at $99,500,000 for its construction program and $60,400,000 for refunding and retiring outstanding Company securities. Such cash is expected to be provided through the public sale of $50,000,000 first and refunding mortgage bonds in March 1980, the sales of additional securities later in the year, which may include $30,000,000 of short-term or long-term debt securities of the Company or a wholly-owned subsidiary and $20,000,000 of the Company's preferred stock, and from the sale of shares of common stock pursuant to the Company's dividend reinvestment and employees' stock purchase plans, the incurring of additional short-term indebtedness, and internally generated funds. The timing and amount of such sales and the type of securities will depend upon market conditions and other factors in existence at the time.

In addition to the cash requirements referred to above, during the years 1981-1984, the Company has an aggregate of $173,637,000 of long-term debt maturing (including sinking fund maturities, of which $27,582,000 may be satisfied by deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits) and $12,060,000 of purchase or sinking fund requirements for preferred stock.

The Company expects that on the average during the five years 1980-1984 approximately 41% of the cash requirements for its construction program and for the retirement of securities will require external financing through the sale of securities or other financial arrangements and approximately 59% will be provided from internally generated funds.

The Company and the South Carolina Public Service Authority, a public corporation of the State of South Carolina ("Santee-Cooper"), have contracted to become joint owners of the V. C. Summer Nuclear Station at Parr Shoals, Fairfield County, South Carolina ("Summer Station") on the basis of two-thirds by the Company and one-third by Santee-Cooper and to participate, on a like basis, in the cost of construction, cost of operation and in the energy output thereof. This nuclear station is expected to have a capacity of 900,000 KW. The Company's present construction schedule calls for completion of construction of the Summer Station and its readiness for fuel loading in December 1980. However, the Company cannot load fuel prior to the issuance of an operating license, and the Nuclear Regulatory Commission

Construction Program and Financing (Continued)

staff has projected that an operating license will not be issued prior to the spring of 1981 (see "Regulation" below with respect to an intervention in the licensing proceedings which could result in delays in the issuance of the operating license). After fuel loading, approximately six months are required for start-up testing, power ascension testing, compliance with regulatory procedures and other matters before commencement of commercial operation.

If commercial operation were to commence in June 1981, the estimated cost of the Summer Station would be $827 million, or $919 per kilowatt, of which the Company's share would be $554 million. Approximately $692 million of such estimated total cost had been incurred at December 31, 1979, of which the Company's share was approximately $464 million. A six-month delay in the commencement of commercial operation would increase the cost of this Station by approximately $39 million. Of this cost, the Company's share would be approximately $26 million. These costs and estimates include allowance for funds used during construction but exclude the cost of nuclear cores.

On October 11, 1979, a series of transactions was entered into in connection with financing the acquisition, ownership and carrying of the Company's 2/3's undivided ownership share of nuclear fuel for the Summer Station. The Company assigned to its wholly-owned subsidiary, South Carolina Fuel Company, Inc. ("Fuel Company"), incorporated on September 28, 1979, its right and title to the initial core of fuel which has been fabricated and is stored at Summer Station and its contract rights for the supply, processing and fabrication of nuclear fuel, and it entered into a Fuel Contract ("Fuel Contract") with Fuel Company, which provides for payments to be made by the Company to Fuel Company in amounts sufficient to discharge Fuel Company's obligations arising out of the acquisition, ownership and financing of nuclear fuel. The maximum amount of such obligations is limited by the Fuel Contract to Fuel Company's "Net Investment" in nuclear fuel as defined in the Fuel Contract.

To finance nuclear fuel Fuel Company will issue, from time to time, its promissory notes with maturities of less than 270 days ("Commercial Paper") to the public in the commercial paper market. Such notes are exempt from registration under the Securities Act of 1933 pursuant to §3(a)(3) or to §4(2) of such Act. The Commercial Paper has been and is to be issued and paid pursuant to the Commercial Paper Issuing and Paying Agency Agreement between Fuel Company and The Chase Manhattan Bank, N.A. If and when financial markets are favorable, the Fuel Company could finance nuclear fuel through the issuance of its promissory notes having maturities greater than 270 days from the date of issue ("Term Notes") by means of private placement under §4(2) of such Act.

Fuel Company entered into a Credit Agreement, expiring July 15, 1983, subject to successive one-year extensions by mutual agreement, with the Bank of America National Trust and Savings Association ("Bank of America"), which provides for Commercial Paper Support Loans and for Revolving Credit Loans in a maximum amount outstanding at any time of $50,000,000. Fuel Company will pay to Bank of America for each Calendar Quarter a Commitment Fee at

Construction Program and Financing (Continued)

the rate of 3/8% per annum on $50,000,000 minus the sum of all outstanding loans, not including any Commercial Paper Support Loans repaid in full on the date when made (computed on a daily average basis during such Calendar Quarter). Fuel Company also will pay to Bank of America for each Calendar Quarter a Support Fee at the rate of 1/8% per annum on the aggregate Commercial Paper Face Value (computed on a daily average basis during such Calendar Quarter). Interest rates for loans under the Credit Agreement are dependent upon commonly utilized financial market rates, including Bank of America's prime rate, bid rates for Certificates of Deposit, and the London Inter-bank rate in the case of a Eurodollar loan. The Company has guaranteed the obligations of the Fuel Company under the Credit Agreement through a Guaranty Agreement. Fuel Company entered into a Security Agreement with First National Bank of South Carolina, as Trustee, and has granted a security interest in all its rights and interest in the nuclear fuel and the various contracts relating to the acquisition and ownership of nuclear fuel as security for its obligations with respect to Commercial Paper, Term Notes and/or the Credit Agreement. The Public Service Commission of South Carolina ("PSC") authorized the transaction and granted the Company the power to enter into extensions of the Credit Agreement and to increase the maximum amount of loans under the Credit Agreement up to $75,000,000.

The Company's prior arrangement for financing the initial core for Summer Station under a Trust Agreement dated as of September 30, 1976 among the Company, its subsidiary, Energy Subsidiary, Inc., and The Citizens and Southern National Bank of South Carolina, as Trustee ("C&S Bank") was terminated upon payment to C&S Bank of $41,900,625.33. The aforesaid Trust provided for financing by a group of banks at the prime rate posted by The Chase Manhattan Bank, N.A. The aggregate principal amount of the Fuel Company's initial issuance of Commercial Paper on October 11, 1979 was $42,075,000 with maturities ranging from one day to 41 days at discounts ranging from 13.375% to 13.75%. Net proceeds to Fuel Company were $41,905,219.62.

On April 17, 1979, the Company executed a Waiver and Supplemental Agreement with Irving Trust Company of New York (Irving), dated as of March 8, 1979 (Waiver Agreement), with respect to a Letter Agreement among the Company, Irving and The Chase Manhattan Bank, N.A., severally, dated December 5, 1972, as amended March 20, 1973 (Agreement). Pursuant to the Agreement, the Company borrowed from Irving $15,000,000 through the issuance of its unsecured notes due March 8, 1980 (Notes), and from Chase $30,000,000 through the issuance of similar unsecured notes. The Notes provided that the interest rate thereon was initially 113% of the prime rate announced from time to time by The Chase Manhattan Bank, N.A., with scheduled increases to a maximum of 122% commencing March 9, 1979 until maturity. The Agreement further provided that, if the Notes were not prepaid, aggregate interest paid by the Company in excess of interest computed at 7.625% per annum (Excess Interest) would be refunded to the Company 90 days after maturity. Excess Interest on the Notes at March 8, 1979 amounted to $2,018,165.91.

The Waiver Agreement provided (i) for Irving to waive from March 9, 1979 to March 8, 1980 current payment by the Company of interest on the

Notes in excess of Irving's prime rate as announced from time to time and (ii) for Irving to pay to the Company the Excess Interest as of March 8, 1979 of $2,018,165.91. On April 18, 1979, the Company received from Irving the Excess Interest as of March 8, 1979 and an additional $49,247.76, for a total of $2,067,413.67. Such additional $49,247.76 represented (a) interest paid by the Company from March 9, 1979 through March 31, 1979 in excess of the Irving prime rate, (b) interest on the amount of clause (a) from April 1, 1979 to April 18, 1979 and (c) interest accrued after March 8, 1979 to April 18, 1979 on the amount specified in clause (ii) above. The Waiver Agreement also provided that, if the Notes shall have been prepaid, the total amount paid by Irving to the Company will be refunded to Irving, with interest thereon, and the original rate of interest on the Notes would apply from March 9, 1979 to maturity.

Assuming no prepayment of the Notes has been made by March 8, 1980, on March 9, 1981 an adjustment between the Company and Irving will be made with respect to the amount of interest paid on the Notes from March 9, 1979 to March 8, 1980. Such adjustment will be the net of (a) to the credit of the Company the difference between the interest paid by the Company during such period and the 7.625% originally provided under the Agreement and (b) to the credit of Irving an amount equal to interest at Irving's prime rate on the amount of funds which would have been available for use by Irving had the Waiver Agreement not been entered into by the parties. This adjustment will be made in favor of the party entitled thereto through adjustment of the amount of compensating balances which would otherwise have been maintained by the Company with Irving over a three-year period commencing March 10, 1981. If after such three-year period any credit adjustment remains to be made to the Company, such remaining amount will be paid in cash. The intention of the parties, as stated in the Waiver Agreement, is that neither the Company nor Irving will suffer financial disadvantage as a result of the changes made by the Waiver Agreement. At December 31, 1979 interest adjustments to the credit of the Company were $6,651,700. See Note 1 to Additions to Notes to Consolidated Financial Statements.

Irving also agreed to enter into a new term loan agreement with the Company on March 8, 1980 in the principal amount of $15,000,000 whereby the Company will issue a note due March 9, 1981, with interest payable at the Irving prime rate plus 1/2 per cent. The proceeds from the new term loan will be applied to repay in full the principal amount of the Notes held by Irving.

The Company's current construction program provides for two 550 MW coal-fired units to be placed in service in the late 1980's. It also plans to retain in service 131 MW of internal combustion turbines used for peak load generation previously scheduled for retirement in 1981 and to add as peaking units 300 MW of internal combustion turbines in the mid-1980's.

Electric Sales

For the year ended December 31, 1979, residential sales accounted for 39% of operating revenues from sales of electricity; commercial sales 25%;

Electric Sales (Continued)

industrial sales 28%; sales for resale 5%; and all other 3%. The average annual use per residential customer decreased by 5% from 12,269 kilowatt hours ("KWH") in 1978 to 11,627 KWH for the year ended December 31, 1979. The Company promotes electric heating and had 72,532 residential heating customers at December 31, 1979. This is an increase of 7,818 or 12% in such customers since December 31, 1978.

In 1979 the Company supplied electricity to neighboring utilities as follows: Georgia Power Company, 75,000 KW of firm power under an agreement which expired February 9, 1979 and was not renewed; Carolina Power & Light Company, 53,000 KW of firm power and 150,000,000 KWH annually under an agreement expiring December 14, 1980; and Duke Power Company, 21,375 KW of firm power and 75,000,000 KWH annually under an agreement expiring November 30, 1980. The Company does not plan to renew these agreements. Revenues received from sales of electricity under these agreements amounted to less than 1% of the Company's total electric operating revenues during the year ended December 31, 1979.

The Company furnished electricity to the Savannah River Project of the Department of Energy ("DOE"), formerly the Energy Research and Development Administration under, two contracts, one for 30,000 KW of firm power which expired February 10, 1979 and the other for 40,000 KW of firm power originally scheduled to expire in 1980. On August 16, 1979, the Company and DOE completed negotiations on a new five-year contract effective February 10, 1979 for 70,000 KW of firm power to replace these contracts. Additionally, the new contract provides that the Company shall supply the Savannah River Project 30,000 KW of stand-by emergency energy, whenever available, if and when requested by DOE.

The Company furnishes electricity for resale to three municipalities and six electric cooperatives. The Company's sales to such municipalities and cooperatives accounted for 3% and 1%, respectively, of the Company's total electric operating revenues for the year ended December 31, 1979.

Electric Interconnections

The Company's transmission system is part of the interconnected grid extending over a large part of the central and eastern portion of the nation. The Company, Virginia Electric and Power Company, Duke Power Company, Carolina Power & Light Company and Santee-Cooper are members of the Virginia-Carolinas Reliability Group, one of the several geographic divisions within the Southeastern Electric Reliability Council which provides for coordinated planning for reliability among bulk power systems in the Southeast.

Gas Operations

The Company serves natural gas to over 70 communities and at December 31, 1979, rendered service to 164,277 customers. For the year ended

Gas Operations (Continued)

December 31, 1979, residential sales accounted for 26% of gas operating revenues; commercial sales 16%; industrial sales 52%; and sales to two municipalities 6%.

Since 1953 the Company has purchased gas from Southern Natural Gas Company ("Southern Natural") under long-term contract. Such contract presently extends to 1989 and has a contract demand of 165,000 MCF per day. However, the Federal Energy Regulatory Commission ("FERC") which term, as used herein, includes its predecessor, the Federal Power Commission, has established curtailment priorities applicable to deliveries by interstate pipeline companies to their customers which require Southern Natural to allocate gas to its customers based upon the "end-use" categories of the ultimate consumers of such gas. Such categories give preference first to residential and small commercial customers, second to large commercial requirements and to certain limited industrial requirements and only then to various industrial and other requirements.

On November 17, 1977 FERC issued an order placing a permanent curtailment plan in effect. Such order, which became effective with respect to Southern Natural on November 24, 1977, continued priorities based on "end-use" but redefined certain "end-uses", thereby permitting reclassification of certain consumers from one category of priorities to another. It also made no distinction between firm and interruptible industrial sales.

Under Southern Natural's curtailment plan, each of its customers, including the Company, has a "base-period allocation" arrived at on the basis of gas consumption during a 24-month "base period" ended February 1973 by the ultimate consumers of the gas in various "end-use" categories. The daily volumes of gas covered by the base-period allocations of Southern Natural's customers are increased by specified amounts (which vary from customer to customer and depend in part on the base-period consumption by their "end-users" in the first, second and third categories of priority) for each degree by which the average temperature in the area served by Southern Natural is estimated to be below 70°, provided that base-period allocations, as so adjusted, do not exceed contract demand. Deliveries of gas are allocated by Southern Natural on a day-to-day basis among its customers on the basis of gas available for delivery by its system and the various base-period allocations of its customers as adjusted for estimated average system temperature. However, FERC curtailment priorities are not applicable to deliveries by the Company to its customers, which are governed by a separate curtailment plan approved by the PSC.

Under the PSC plan preference is also given first to residential and small commercial customers and then to large commercial and certain limited industrial requirements and to successively lower categories of priority, although there are some differences in the definitions of "end-use" for purposes of FERC and PSC approved categories. The major difference between the two curtailment plans is that gas is allocated under the FERC plan to the Company on the basis of the "end-use" during the "base period" by the Company's customers at that time with no provisions for changes in allocation to the Company because of changes in the numbers of or priority usages

Gas Operations (Continued)

by its customers, whereas deliveries by the Company under the PSC plan are allocated to its present customers on the basis of their current "end-use" of the gas.

The Company usually receives its full contract demand during the colder months except on days when the average temperature in the area served by Southern Natural is higher than normal. Since the Company could not be assured that it would always receive its full contract allocation under its contract with Southern Natural, it took steps to help supplement its supply. The Company, through its wholly-owned subsidiary South Carolina LNG Company, Inc., completed in 1977 construction of liquified natural gas ("LNG") facilities in Bushy Park near Charleston which (1) enable the Company to liquify up to 6,000 MCF of gas per day during off-peak periods, (2) provide liquid storage for up to 1,000,000 MCF of gas and (3) enable the Company to gasify up to 60,000 MCF per day when required to meet the demands of its high-priority users. The natural gas liquified and stored in these facilities is taken from the Company's own pipeline system during off-peak periods out of gas supplied by Southern Natural as described above. There is no separate contract or allocation covering this gas. In addition, the Company has facilities for production of gas from supplemental propane during periods of maximum demand upon the system (commonly referred to as "peak shaving"). Such facilities have a capability of approximately 58,200 MCF per day.

At the beginning of the 1979-80 winter season, the LNG storage facilities contained approximately 8,365,000 gallons of liquified natural gas (equivalent to approximately 743,000 MCF of gas) and the Company had in inventory about 6,162,000 gallons of propane (equivalent to approximately 514,000 MCF of gas). The Company also had a contract for an additional 1,250,000 gallons of propane (equivalent to approximately 104,000 MCF of gas) for use during the current winter season. Since July 11, 1978 Southern Natural has been supplementing its domestic natural gas supplies with purchases of LNG that are being imported at Elba Island, Georgia from Algeria. The Company is receiving some of this imported LNG as part of its normal contract allocation. Because of the above, the Company has not had to curtail any firm customers during the 1979-80 winter season and does not expect to curtail its firm customers during the remainder of such season.

On June 13, 1974 the PSC ordered the Company to continue to install and furnish gas service to new and old residences located on existing mains. To preserve its ability to supply gas to its existing firm customers, the Company adopted the policy of not extending service to any other firm customers and limiting its interruptible sales to a maximum of 1,000 MCF per day on existing mains.

As a result of the increased availability of gas, effective October 1, 1978 the PSC removed part of its restrictions on new gas customers and allowed the Company, under certain conditions, to install new gas mains for the purpose of adding residential and small commercial customers. The Company was also allowed to add large commercial and industrial firm customers whose usage does not exceed 50 MCF per day for any purpose and up to 500 MCF per day for any purpose other than boiler fuel.

Gas Operations (Continued)

By an order dated June 25, 1979 the PSC increased the amount of MCF per day that new large commercial and industrial customers could purchase for any purpose other than boiler fuel to 1,500 MCF per day. Additionally, the new order removed the 1,000 MCF per day limit on interruptible sales to existing customers with expanded requirements and to new customers upon payment of costs to provide service. During 1979 the Company added 1,681 new residential, 191 new firm commercial, and 7 new firm industrial customers.

The Company's gas curtailment plan effectively prohibits the use of gas for firm boiler fuel. Separate residences and "essential human needs" uses have been reclassified as the highest priority under the plan. The plan is a modified "end use" curtailment plan retaining the distinction between firm and interruptible uses. The Company has made a formal commitment to the PSC to submit by mid-1980 a gas curtailment plan based on the "end use" of natural gas.

Although Southern Natural has repeatedly increased its tariffs to the Company during the past several years, the Company's tariffs under which its customers are billed permit adjustment in its rates in the event of increases or decreases in the cost of gas, including LNG and propane. Accordingly, such increases have been reflected in the Company's rates.

During the twelve months ended December 31, 1979 the Company's average cost per MCF of natural gas purchased from Southern Natural was approximately $2.07. The cost for propane was approximately $3.19 per MCF and the cost of regasified LNG obtained by liquefaction of natural gas from its own system was approximately $3.10 per MCF.

Availability of Fuel

During 1979 coal provided the fuel for approximately 72% of the Company's generation of electric energy (as compared with 65% for 1978), No. 6 fuel oil approximately 17% (as compared with 27% for 1978), and natural gas, hydroelectric power and No. 2 fuel oil (for internal combustion turbines) the remainder.

The Company estimates that during 1980 coal will provide the fuel for approximately 84% of its generation of electric energy, No. 6 fuel oil approximately 8%, and natural gas, hydroelectric power and No. 2 fuel oil (for internal combustion turbines) the remainder.

Availability of Fuel (Continued)

The following table sets forth the cost (in cents per million BTU) of each category of fuel consumed in the Company's steam generating stations as well as the percentage of total fuel requirements represented by each category of fuel during each of the years 1975 through 1979.

Year	Coal Cost	Coal %	No. 6 Oil Cost	No. 6 Oil %	Nat. Gas Cost	Nat. Gas %	Weighted Average Cost of All Fuels
1975	120.46	59	114.01	28	74.66	13	113.76
1976	104.04	72	133.60	25	95.93	3	111.82
1977	118.34	73	164.84	25	124.48	2	130.94
1978	134.75	68	186.39	29	153.75	3	150.87
1979	144.61	79	226.36	19	206.69	2	162.41

Coal. The Company uses coal for fuel at four of its six major thermal plants. The Company uses unit train delivery of coal at all four of these plants. Although the Company has not experienced significant difficulties to date, future deliveries could be adversely affected by possible shortages of locomotives and cars for coal delivery and by railroad and mining industry labor difficulties. On February 11, 1980 the Company had in excess of a 60 day supply of coal in inventory.

The supply is obtained through contracts and purchases on the spot market. The Company has negotiated and is negotiating renewals of several of its contracts for the purchase of coal. The Company's contracts for the purchase of coal represent the following percentages of the Company's estimated requirements for 1980 (3,973,700 tons) and expire at the dates indicated (giving effect to the Company's intention to exercise renewal options):

No. of Tons Per Year	% of 1980 Requirement	Range of % of Sulfur Content per Contract	Initial Expiration Date	Final Expiration Date (1)
1,050,000	26.4	1.2-1.5	12-31-80	12-31-90
750,000	18.9	1.5-2.0	12-31-80	12-31-90
400,000	10.1	1.0-1.2	4-30-82	4-30-92
260,000	6.5(2)	1.0-1.75	3-31-80	3-31-81
180,000	4.5(2)	1.0-2.0	9-30-80	9-30-81
2,640,000	66.4			

(1) Contract extensions subject to mutual agreement on price, quantity and quality.
(2) Assumes extension of original contract through remainder of 1980.

Additionally, the Company has reached an agreement in principle with a supplier for a total of 250,000 tons annually. While final negotiations

Availability of Fuel (Continued)

are being completed, the Company is receiving deliveries of such coal under the tentative provisions of the contract.

All of the above contracts are subject to periodic price adjustments, based on changes in indices published by the U. S. Department of Labor and others.

The Company expects to continue spot market purchases of its coal requirements in excess of those provided by its existing contracts. However, there is no assurance that coal will be available on a spot basis in the future or that it will be available at reasonable prices. No spot coal was purchased from November 1978 through December 1979 because the Company's plants burned less coal than anticipated during 1979 due to milder weather and maintenance on coal-fired generating units.

The average costs per ton of coal consumed for the years 1975 through 1979 were $29.72, $25.63, $28.50, $32.71 and $35.96, respectively.

The coal purchased by the Company in December 1979 had an average sulfur content of 1.53%, which permitted the Company to comply with existing regulations, and the Company believes that its operations are in substantial compliance with all existing regulations relating to the discharge of sulfur dioxide. The Company has not been advised by officials of the South Carolina Department of Health and Environmental Control that any more stringent sulfur content requirements for existing plants are contemplated. (See "Environmental Control Matters")

Fuel Oil. Two of the Company's major thermal plants use No. 6 fuel oil to fire their boilers. Approximately 3.3 million barrels of oil were burned by these plants during 1979. Oil for the Williams Station is supplied by Exxon Company, U.S.A. ("Exxon") under a contract expiring in 1992, subject to renegotiation of price in 1982 and 1987, providing for the estimated maximum requirement of 6 million barrels per year or 100% of the actual requirement, whichever is less. The price of oil is based upon the market price less a discount. The contract for oil at Plant Hagood (also with Exxon) provides for supply of Plant Hagood's requirements at market price less a discount over the seven-year period 1976-1982. The Company's fuel oil inventories as of December 31, 1979 show a 35% increase over December 31, 1978. However, in light of recent international developments, the Company cannot be assured of being able to obtain its total future fuel oil requirements.

Effective November 1, 1979 Exxon terminated its program of allocating No. 6 oil based on its customers' internally generated estimates of their monthly forecasted requirements. During the period the program was in effect (April 1 through October 31) generation at the Company's Plant Hagood and Williams Station, which use No. 6 oil, was not curtailed.

Oil for the Williams Station is barged up the Cooper River from Charleston, South Carolina in 20,000 barrel barges and stored at a tank farm. Oil for Plant Hagood is shipped via pipeline from the supplier's terminal in Charleston, South Carolina.

Availability of Fuel (Continued)

The Company's internal combustion turbines, used only at times of maximum demand upon the Company's generating system, burn natural gas and No. 2 oil. The quantities of such fuels used are not significant and the Company presently has adequate supplies of No. 2 oil for its current needs.

Nuclear. As discussed more fully under the caption "Construction Program and Financing", the Company is constructing the V. C. Summer Nuclear Station which is its first nuclear generating station and is scheduled to be completed in late 1980. The following discussion sets forth the factors affecting current and future availability of uranium to fuel the V. C. Summer Nuclear Station.

In order to fuel and operate a nuclear generating station, six distinct stages of the fuel cycle are involved: (1) the mining and milling of uranium ore to yield uranium concentrates, (2) the conversion of uranium concentrates to uranium hexaflouride, (3) the enrichment of the uranium hexafluoride, (4) the conversion of the uranium hexafluoride to uranium dioxide and the fabrication of fuel assemblies into which the uranium dioxide is incorporated, (5) the utilization of the nuclear fuel in the generating station reactor and (6) the reprocessing of the spent fuel including the appropriate disposition of radioactive wastes or disposal of spent fuel without reprocessing.

The Company has a contract with Westinghouse Electric Corporation for the supply of uranium concentrate, conversion and fabrication and with the DOE for supply of enriching services for the V. C. Summer Nuclear Station. The contract with Westinghouse covers the initial core loading of three regions and eight yearly reload regions for a total of 11 regions of fuel. (A region represents approximately one-third of the nuclear cores in the reactor at any time.) Under anticipated operating conditions this would cover a period of approximately ten years. It will be necessary for the Company to enter into future contracts to cover the difference between its total requirements and those covered by its present contract. The contract with the DOE is a "requirements" type contract whereby the DOE supplies total enriching requirements for the unit through the year 2002. There are presently no reprocessing facilities in operation in the United States available to utilities for reprocessing of spent fuel. President Carter has announced his opposition to reprocessing. The Company estimates that the spent fuel storage facilities at the V. C. Summer Nuclear Station will be adequate for at least 10 years of operation. In addition, there will be sufficient on-site storage capacity to permit storage of the entire reactor core in the event that complete unloading should become desirable or necessary for any reason.

Availability of Fuel (Continued)

The following table summarizes the Company's contract commitments for the stages of nuclear fuel assemblies:

Commitment	Contractor	Regions	Operating Years (Estimated)
Uranium Concentrate	Westinghouse	1-11	1981-1990
Conversion	Westinghouse	1-11	1981-1990
Enrichment	DOE	*	through 2002
Fabrication	Westinghouse	1-11	1981-1990
Reprocessing	None	None	None

*Requirements Contract

On September 8, 1975 Westinghouse notified the Company that "Under present and anticipated market conditions, Westinghouse finds itself unable to obtain sufficient uranium to meet... customer needs except at such onerous prices that performance on Westinghouse's part would be commercially impracticable". On October 22, 1975 the Company commenced an action against Westinghouse in the U. S. District Court for the District of South Carolina seeking specific performance of the uranium supply provisions of the contract and damages for its breach. Such action was consolidated with other similar actions by other utility companies against Westinghouse and transferred to the U. S. District Court for the Eastern District of Virginia.

On February 3, 1976 Westinghouse consented to an order of the U. S. District Court for the Eastern District of Virginia requiring it to deliver, without prejudice to the position of any of the parties as to their ultimate obligations, quantities of uranium concentrates at the contract price equal to its inventories of uranium concentrates then on hand and on order to the extent received. The Company has received approximately 731,000 pounds of uranium concentrates, which is approximately 18% of the original Westinghouse commitment to the Company (estimated at approximately 4,100,000 pounds) and 82% of the first core fuel requirements (estimated at approximately 888,000 pounds).

The contract with Westinghouse provides for a base price subject to increases or decreases in price according to changes in various indices published by several Federal agencies. The contract price for the 731,000 pounds of uranium concentrates was $13.66 per pound. The Company has purchased on the open market, at prices averaging approximately $40 per pound, sufficient quantities of uranium to meet the fuel requirements of the initial core.

On October 27, 1978 the United States District Court for the Eastern District of Virginia ruled that Westinghouse Electric Corporation had breached its contract to supply uranium for the V. C. Summer Nuclear Station. Trial has been completed in the U. S. District Court at Richmond, Virginia, to determine whether the Company is entitled to specific performance of or damages for the breach of the uranium supply provisions of the Company's nuclear fuel contract with Westinghouse Electric Corporation. The court has informally advised the Company's attorneys that specific

Availability of Fuel (Continued)

performance of the contract will not be ordered. A decision is expected to be rendered in the near future.

The Company cannot at this time estimate the amount of damages occasioned by Westinghouse's actions because the contract calls for performance by Westinghouse over a period of years. The Company is continuing discussions with Westinghouse and also with other suppliers for the purpose of obtaining an adequate supply of uranium and minimizing any damage to the Company or cost to its customers resulting from the actions of Westinghouse. The Company intends to advise the PSC of the results of the negotiations prior to entering into any settlement of the dispute with Westinghouse. The Company does not anticipate that uranium supply problems are likely to result in a delay in completion or operation of the V.C. Summer Nuclear Station.

Regulation

The Company is subject to the jurisdiction of the PSC as to electric retail and gas rates, service, accounting, issuance of securities (other than short-term unsecured promissory notes) and other matters. The Company is subject to the jurisdiction of the FERC in the transmission of electric energy in interstate commerce and in the sale of electric energy at wholesale for resale, as well as with respect to licensed hydroelectric projects and certain other matters, including accounting, but not with respect to the issuance of securities except for short-term unsecured promissory notes. The Company is not subject to the Public Utility Holding Company Act of 1935 and is exempt from the provisions of the Natural Gas Act. The Department of Energy Organization Act of 1977 created a new department within the Executive Branch with the responsibility for coordinating and administering national energy policy and programs to which the Company is subject.

Pursuant to Section 204 of the Federal Power Act, the Company must file an application annually with the FERC for authority to issue short-term indebtedness in amounts exceeding 5% of the par value of its outstanding securities (approximately $50,000,000 at December 31, 1979). On October 26, 1979, the Company filed an application with the FERC seeking authority to issue up to $120 million unsecured promissory notes or commercial paper, with maturity dates of twelve months or less, but not later than December 31, 1981. On December 10, 1979, such authority was granted by the FERC.

In connection with the Company's proposed construction program (see "Construction Program and Financing"), it will be necessary to obtain regulatory authorizations, permits and licenses, including permits and licenses from the Nuclear Regulatory Commission ("NRC"), a successor to the Atomic Energy Commission ("AEC"), and a license from the FERC. The Company has been granted a construction permit for the V. C. Summer Nuclear Station by the AEC and as of August 28, 1974 the FERC issued to the Company a license for the Fairfield Pumped Storage Project, which includes the Company's existing Parr Shoals Project. The United States Court of Appeals for the District of Columbia Circuit has under review an NRC rule that estab-

Regulation (Continued)

lished on a generic basis the environmental effects of fuel reprocessing and radioactive waste disposal to be assigned to the operation of nuclear power reactors. As a result of the accident at Three Mile Island nuclear power plant, the NRC has announced a moratorium on the licensing of nuclear power plants until it completes a review of NRC staff proposals concerning operation of existing nuclear power plants, recommendations of the President's special commission to investigate the Three Mile Island accident, and a special study of the NRC and its procedures, and promulgates new rules for emergency planning for nuclear accidents. The Company's Summer Station is scheduled for completion in late 1980, and the Company has filed an application with NRC for an operating license. It is not possible to determine the effect of the moratorium, or of any changes in the NRC or its policies which may result from the review or from congressional or executive action, upon the construction and licensing of the Summer Station or the effect upon the Company's financial position or results of its operations. However, the NRC could require changes in the design and methods of operation of Summer Station, the cost of which could be substantial, and any such changes could have an adverse (but not necessarily material) effect on the Company's earnings. The Company has made and will continue to make substantial investments ($464,300,000 at December 31, 1979) and commitments in the nuclear station prior to the completion of licensing and other proceedings by governmental bodies. There can be no assurance that the requisite authorizations will be obtained by the Company. This situation, which is common to electric utilities in general, is necessitated by the complexity of present-day electric utility technology and the time required for the construction of new electric generating and transmission facilities and for completion of the licensing and other proceedings referred to above.

A petition to intervene by a resident of Fairfield County in the Application for an Operating License for the V. C. Summer Nuclear Station, raising safety and environmental issues, has been granted by the NRC. Such interventions are frequently encountered in licensing applications before the NRC and may result in delays in the issuance of licenses. This proceeding is in its preliminary stages and it is not possible to determine whether there will be a delay in the issuance of the license for the V. C. Summer Nuclear Station as a result of this intervention.

On December 6, 1978 Central Electric Power Cooperative ("Central"), a customer of South Carolina Public Service Authority and of the Company (the licensees), petitioned the NRC to make a finding of significant change in the licensees' activities and to refer the matter to the Attorney General of the United States for an anti-trust review and his advice as to any conditions relating to the anti-trust laws that should be placed in the operating license for the V. C. Summer Nuclear Station. The petition as amended alleges that the licensees agreed to restrict competition between themselves in the sale of electric power, that Central is almost entirely dependent upon the Authority for bulk power supply, and that the Authority's dual rates to Central unfairly restrict Central's constituent members from competing with the Authority for large power loads. The Company has opposed such petition. While the ultimate relief sought by Central in its petition is not clear, the NRC has no direct jurisdiction over the Company's rates, and Central's petition states that "Central notes that it is dependent on

Regulation (Continued)

[the Authority] for almost all of its power supply and would suffer serious injury if there were to be any delay in granting an operating license for said Summer unit." The Company does not believe, even if the petition were granted, that any such anti-trust review would result in delay in issuance of the operating license.

The Company holds licenses under the Federal Water Power Act or Federal Power Act with respect to all its hydroelectric projects. The licenses covering the projects expire as follows: Neal Shoals (5,000 KW capability) and Stevens Creek (9,000 KW capability) 1993; and Parr Shoals (14,000 KW capability) and Fairfield Pumped Storage Project (512,000 KW capability) 2020. The license for the Columbia project (10,000 KW capability) expired in 1970 and the license for the Saluda project (206,000 KW capability) expired in 1977, at which times the Company made timely filings for new licenses. Annual licenses for these two projects are in effect while the FERC is reviewing the Company's application for such new licenses. The FERC has allowed Central Electric Cooperative, Inc. to intervene in the proceedings on the application for a new license for the Saluda project for the purpose of seeking to obtain an article in the new license requiring the Company to enter into wheeling, pooling and reserve sharing arrangements with it, but not for the purpose of opposing a new license. The Company has opposed such intervention. The Company cannot determine the probable effect of these proceedings on its business or the results of its operations.

At the termination of a license under the Federal Power Act, the United States may take over the project covered thereby, or the FERC may extend the license or issue a license to another applicant. If the United States takes over a project or the FERC issues a license to another, the original licensee shall be paid its "net investment" in the project (not to exceed fair value), plus severance damages.

Under a new state law enacted in 1979, the procedure for the selection of the members of the PSC has been changed. Commissioners will continue to be elected by the State Legislature, but only persons nominated by a newly-created, eleven-member Merit Selection Panel will be eligible to stand for election. The Governor will name five members of the Panel, and the legislature will select the six remaining members. This spring the Panel is expected to present nominations to the legislature to fill the seats of the five commissioners whose terms of office expire on July 1, 1980. Present members of the seven-member Commission are not precluded from being nominated by the Panel.

Several bills have recently been filed with the South Carolina General Assembly which, if adopted, would prohibit South Carolina utilities (including the Company) from utilizing fuel surcharges on jurisdictional electric rate schedules and purchase gas cost adjustment clauses on gas rate schedules, eliminate the present ability of utilities to collect rate increases subject to refund pending approval by the PSC and change the process by which membership of the PSC is determined. Similar bills have been filed in prior sessions but were not adopted. The Company cannot predict whether any of such legislation will be adopted or what effect such adoption would have upon the Company, but such effect could be materially adverse.

South Carolina Electric & Gas Company

Item 1. Business. (Continued)

Rate Matters

The following table presents a summary of rate activity for the years 1974-1979:

	REQUESTED					GRANTED				
GENERAL RATE APPLICATIONS	Date	Amount (Millions)	% Increase	% Return on Equity	% Equity in Capitalization	Date of Order	Effective Date	Amount (Millions)	% Original Request	% Return on Rate Base
S. C. Public Service Commission:										
Electric										
Commercial and Industrial	5/31/74	$ 3.2	11.0%					)		
General Retail	8/15/74	34.1	24.6%					)		
General Retail	12/6/74	3.9	2.2%					)		
Total		$41.2			27.23%	6/16/75	7/1/75	$33.3	81%	9.10%
General Retail	11/12/76	$30.3	13.25%	14.12%	30.61%	12/13/77	1/1/78	$21.8	72%(1)	9.33%
General Retail	6/1/79	$39.0(2)	10.77%	13.00%	33.00%	Pending				
Gas										
General Retail	5/24/73	$ 4.2	12.00%	13.75%	33.13%	5/30/74	6/1/74	$ 3.8	90%	8.47%
Interruptible		$ 4.5	(Renegotiated Contracts)				9/1/74	$ 4.5	(Renegotiated Contracts	
Large Firm		$ 1.0	(Renegotiated Contracts)				9/1/74	$ 1.0	(Renegotiated Contracts	
Interruptible	10/11/76		(Renegotiated Contracts)			2/14/76	11/1/75	$ .04/MMBTU	100%	
General Retail	6/1/79	$ 6.7	6.05%	13.00%	33.00	12/31/79	1/1/80	$ 6.4	95%	9.56%
Federal Energy Regulatory Commission:										
Electric										
Wholesale - Municipals & Cooperatives	5/31/[illegible]	$ 1.8	25.00%			6/17/75	8/4/74	$ 1.7	91%	
Wholesale - Municipals & Cooperatives	5/1/75	$ .6	4.8%			2/2/76	11/1/75	(Denied in full)		
Sales to Other Utilities	6/20/75					11/29/76		(Denied in full)		
Wholesale - Municipals & Cooperatives	3/31/78	$ 2.3	14.0%			6/15/79	11/15/78	$ 1.45	63%	

Rate Matters (Continued)

Notes:

(1) See note 2 of notes to consolidated financial statements for information with respect to litigation concerning a possible refund of approximately $7 million.

(2) $18.0 million collected subject to refund at December 31, 1979.

Electric Fuel Recovery Procedure

Effective February 1, 1979, the Company's electric fuel adjustment clause was modified by the PSC. The PSC's order eliminated the automatic application of a monthly fuel adjustment factor and established a constant fuel-cost component of 1.625 cents per KWH in the Company's base rates. Determination of the fuel-cost component includes consideration of estimated fuel costs over a projected six-months period, and is reviewed semi-annually by the PSC. As a result of the semi-annual review held in July, 1979, the fuel-cost component of base rates was increased to 1.750 cents per KWH, effective November 1, 1979. The next hearing on the fuel component in base rates is expected in April 1980.

Gas Adjustment Clause

The Company's gas rate schedules include a gas adjustment clause which allows the Company to pass on to its customers increases and/or decreases in the actual cost of gas included in its published tariffs or special contracts. Revenue attributable to gas costs is recorded in the month in which the gas is used rather than when the revenue is billed. The operation of the clause is subject to periodic review by the PSC. On December 31, 1979, the cost of gas included in the Company's base rates was increased from $.159 per therm to $.223 per therm, effective January 1, 1980.

Environmental Control Matters

Both federal and state authorities have imposed various environmental control requirements relating primarily to airborne pollution and liquid discharge of pollutants, including heat, into waters in the vicinity of the Company's plants. The Company is attempting to insure that its facilities meet applicable environmental regulations and standards. It is not possible to forecast the ultimate effect of environmental quality regulations upon the existing and proposed facilities and operations of the Company. Moreover, developments in these and other areas may require the Company to modify, supplement or replace equipment and facilities, at costs which could be substantial, and may delay or impede construction and operation of new facilities.

Environmental Control Matters (Continued)

Air Quality Control. In 1971, pursuant to the Federal Clear Air Act of 1970 ("1970 Act"), the Environmental Protection Agency ("EPA") promulgated primary and secondary ambient air quality standards with respect to certain air pollutants including particulates, sulfur oxides and nitrogen oxides. In keeping with these regulations, South Carolina has adopted implementation plans containing standards limiting emissions of particulates, sulfur oxides and nitrogen oxides, which were generally designed to achieve the primary ambient air quality standards by 1975 and the secondary ambient air quality standards within a reasonable time thereafter. The effect of the South Carolina Department of Health and Environmental Control ("DHEC") standards is that in all portions of the Company's service area, except for Charleston and Aiken Counties, the Company may not burn coal having a sulfur content in excess of 2.18% by weight. For Charleston and Aiken counties, such maximum sulfur content is 1.44%. The Company has been able to purchase sufficient fuel meeting such requirements for all of its plants. EPA has taken the requisite action approving the implementation plans submitted by DHEC.

The Company's air pollution control systems are subject to periodic inspections by DHEC and EPA. Opacity monitors have been installed on all base load fossil fuel plants. Studies based on data from the monitors indicate that certain of the Company's fossil fuel units are not capable of continuous compliance with DHEC regulations. The Company is using various methods for achieving compliance. These include:

(1) reducing load at noncomplying units and transferring of load to complying units;

(2) performing maintenance on and improving existing electrostatic precipitators;

(3) using flue gas conditioning chemicals at coal-fired plants to improve precipitator efficiency; and

(4) using coal (of proper quality, low ash and high BTU content) with adequate sulfur content, but within regulatory requirements to ensure that the electrostatic precipitators operate at maximum effectiveness and within existing environmental constraints.

If the preceding measures are not sufficient to achieve compliance with the opacity regulations, then retrofitting of other flue gas treatment devices will be required, including additional electrostatic precipitators or installation of other devices. The cost is not presently determinable, but it could be substantial.

On March 9, 1979 the EPA published proposed regulations under the 1970 Act, relating to the mandatory assessment and collection of noncompliance penalties against violators. The proposed regulations provide that

Environmental Control Matters (Continued)

the penalty must be not less than the economic value of delay in compliance to the owner of the source of pollutants and must include consideration of the following three elements: (1) the quarterly equivalent of capital costs; (2) the operation and maintenance costs; and (3) any additional economic value which such delay may have to the owner or operator of such source. The Company is unable to predict the impact of the regulations, if they should become final, upon its operations as presently conducted, but such regulations could result in higher capital and operating costs and could have a material adverse effect on the results of its operations.

DHEC regulations and various voluntary compliance orders entered into by the Company and DHEC required installation at the Company's base load fossil-fuel plants by July 1, 1979 of continuous recording stack monitors to measure visual opacity of stack exhausts. The Company completed installation of the monitors at all its plants by the required date of July 1, 1979, except for Unit No. 3 of Canadys Station where delays in delivery of construction materials prevented installation of the stack monitor until August 1979. DHEC was notified of the delay at Canadys Station and no enforcement action was taken.

On August 15, 1979, tests of Unit No. 3, which is rated at 215 MW capacity, indicated noncompliance with particulate emission standards. The test result was reported to DHEC. Repairs to the electrostatic precipitators for the Unit have been completed and in October 1979, a system for injecting flue gas conditioning chemicals was installed. . As a result of a test performed on January 17, 1980 DHEC has issued a permit authorizing the Unit to operate at 180 MW with an allowance of 5 per cent or 9 MW for overload. In order to bring the Unit closer to rated operating capacity of 215 MW, additional modifications to the electrostatic precipitators may be needed, the cost of which could be substantial.

By letter dated April 16, 1979, EPA notified the Company of possible violations as a result of the EPA's August 1978 inspection at Williams Station of the South Carolina Air Pollution Control Standards with regard to particulate, sulphur dioxide and opacity standards and required the Company to submit data concerning compliance which the Company has submitted. The Company believes that it is presently in compliance with particulate and sulphur dioxide standards. However, the Company is uncertain whether it can obtain consistent compliance with opacity standards.

On May 1, 1979 the Company filed with DHEC an application for a variance for its oil-fired Williams Station from opacity standards under the South Carolina Air Pollution Control Standards. On September 4, 1979, DHEC granted the Company's request for a variance from particulate emission standards and issued the Company a new operating permit for the Station. The permit has been forwarded to EPA for its concurrence. Until EPA grants concurrence, the Company could be subject to enforcement action by EPA. Because the variances comply with Federal requirements, the Company believes that it would have a valid defense to an enforcement action.

EPA has disapproved the portion of the South Carolina air quality regulations on opacity standards allowing a temporary excess discharge of particulate matter during normal plant operations, known as soot blowing. The Company is studying its methods of operation to determine whether they can be modified to minimize the temporary excess discharges of particulates during soot blowing. The Company does not believe that it is possible to operate its fossil fired plants under heavy load conditions without violating the regulations from time to time. To meet the standards consistently during soot blowing operations the Company could be required to increase precipitator efficiency substantially. The cost is not presently determinable, but it would be substantial. The Company has been advised by DHEC that EPA's actions occurred as a result of administrative error and that negotiations to correct the error are in process. If EPA does not reverse its position, the Company intends to appeal the EPA decision to the Court of Appeals for the Fourth Circuit. DHEC has informally indicated to the Company that it will not seek enforcemnt of the air quality regulations for discharge of excess particulates during soot blowing. The Company cannot predict whether EPA will remove its disapproval or whether it will bring an enforcement action against the Company or what the outcome of such action might be. However, the maximum statutory penalties, if sought and imposed following trial in Federal Court, could be substantial.

The Company is unable to predict whether it will be able to obtain continuous compliance at its existing fossil fuel stations without materially affecting its operations as presently conducted. In the future compliance with visual opacity and other air quality regulations could result in higher capital and operating costs.

In June 1973 an evenly divided United States Supreme Court left standing an opinion of a lower Federal court to the effect that EPA could not approve state implementation plans which would permit significant deterioration of ambient air quality in areas in which air quality is better than national primary and secondary standards. Neither the court opinion nor the 1970 Act defines "significant deterioration". Air quality in the areas in which many of the Company's existing and planned generating facilities are located is believed to exceed the national standards. EPA issued regulations effective January 1, 1975 setting up a mechanism for preventing "significant deterioration" of air quality in areas where air quality exceeds the national ambient air quality standards. The regulations provide for designation by each state of three classifications of areas, and for varying limitations on the extent to which changes in air quality in such areas would be deemed to constitute "significant deterioration". The State of South Carolina control standards presently classify areas affecting the Company's operations in a manner required by the EPA regulations. Although the Company believes that it presently is in substantial compliance with applicable regulations (except as noted above), changes in EPA and the State of South Carolina regulations or in the availability of fuel could materially affect the Company's power resources and operating expenses. The 1977 amendments to the 1970 Act (i) require state regulations to prevent significant deterioration of areas cleaner than required by EPA regulations, (ii) establish specific increments for particulates and sulfur dioxide, (iii) require EPA to promulgate by August 1979 increments of, or other means to prevent significant deterioration from, oxides of nitrogen, hydrocarbons, carbon monoxide and photochemicals, and (iv) require new plants to use the

Environmental Control Matters (Continued)

best method of continuous emission reduction, regardless of fuel content. Accordingly, the Company believes that the new standards have the potential for restricting the number of sites available for future fossil fuel generating plants and the total generating capability which may be installed at a given site and that they will impose higher capital and operating costs on new generating plants.

Water Quality Control. The Federal Water Pollution Control Act of 1972 as amended in December 1977 ("1972 Act") provides for the imposition of effluent limitations to regulate discharges of pollutants, including heat, into the waters of the United States. With respect to existing plants, the 1972 Act requires that there have been achieved by (i) July 1, 1977 effluent limitations that require application of the "best practicable control technology currently available" and (ii) not later than three years after the effective date, or not later than July 1, 1984, whichever is later, but in no case later than July 1, 1987, effluent limitations that require application of the "best available technology economically achievable".

Compliance with applicable effluent limitations for the discharges from point sources at the Company's power plants is achieved by a permit system established under Section 402 of the 1972 Act which utilizes effluent limitations based on guidelines promulgated by the Administrator of EPA. As a result of an appeal of EPA's guidelines relating to "no discharge" of heat and certain chemical limitations, the Administrator of EPA is now reconsidering such guidelines. The Company filed timely applications for permits for its plants, and permits have been issued by DHEC for all of the Company's generating stations. The Company has received variances for the discharge of heated water at four of its plants. The Company has completed waste water treatment facilities for all of its operational steam electric generating stations, and it believes that it is in substantial compliance with all permits except at the Williams Station, where monitoring of the effluent from the ash pond indicates that the effluent from the pond contains compounds in excess of those allowed by the Company's discharge permit. Chemical and biological studies are being conducted to determine the cause of the excess compounds, and the impact on the environment. Reports are being submitted to DHEC for comment. Further studies and additional chemical treatment systems may be required. The Company is unable to predict the cost of such treatment system until the result of the studies has been obtained. The Company has notified DHEC of the matters described above and DHEC has indicated that no enforcement proceeding is contemplated at this time.

In addition, the 1972 Act requires that the location, design and construction of cooling water intake structures for both new and existing generating plants reflect the "best technology available for minimizing adverse environmental impact". EPA has determined that intake structures at all of the Company's plants meet the requirements of the 1972 Act.

In addition to the 1972 Act and the regulations thereunder, the Company must comply with the South Carolina Water Quality Standards. The Company believes it is in substantial compliance with such Standards.

Environmental Control Matters (Continued)

On November 21, 1975 EPA promulgated regulations pursuant to the 1972 Act which would require, among other things, assessments and allocations of the discharge of pollutants, including thermal discharges, and would affect the permits issued under Section 402 of the 1972 Act. An appeal of the regulations is now pending. The Company is unable to predict the effect of the regulations except that they could result in higher capital and operating costs and could restrict sites available for future expansion of the Company's generating facilities.

On October 13, 1972 a landowner on the shores of the Company's FERC licensed hydroelectric Saluda project ("Lake Murray") filed a complaint with the FERC alleging a violation of the Company's license due to the Company's failure to prevent unauthorized discharges (and proposed discharges) of effluent into Lake Murray by other persons, corporations and agencies owning or leasing property on Lake Murray. On September 10, 1973 the FERC ordered an investigation into the existing and future uses of the lands and waters of Lake Murray.

The FERC has concluded its investigation of the Company's Lake Murray hydroelectric project. By an Order dated May 21, 1979, as modified on rehearing by an Order dated August 14, 1979, the FERC found that the present water quality within Lake Murray is acceptable, but that in the future there could be land use and water quality problems which might impair the recreational uses and aesthetic qualities of Lake Murray, authorized the granting of easements to several landowners along the shores of the project, ordered the Company to acquire ownership of three islands for public recreational purposes (which the Company purchased in January 1980), and required the Company to submit a land and water use plan in the separate proceedings for relicensing of the project.

In the years 1970 through 1979, the Company's expenditures for environmental control facilities amounted to approximately $15,377,000. It is not possible for the Company to estimate all future costs for environmental purposes but it forecasts minimum capitalized expenditures therefor of at least $2,197,000 for 1980 and $90,210,000 for the years 1981 to 1984, inclusive. These expenditures are included in the Company's construction program. See "Construction Program and Financing."

Other Matters

The Company is required to continue its coach operations so long as it exercises its existing electric and gas franchise rights in the City of Charleston. For many years the Company's coach operations in the City of Charleston have resulted, and continue to result, in substantial operating losses, amounting to approximately half the operating losses of the coach division (see "Lines of Business"). The Company has had discussions with the Charleston Area Transit Committee ("CATC") looking towards a transfer by the Company to a public body of its coach properties and operations. CATC has proposed to the Company that the Company pay $8,500,000 over the next 15 years and donate the coaches involved in the Charleston

Other Matters (Continued)

operation (with a book value at December 31, 1979 of $163,634) in consideration of its being released of its obligations to continue its coach operations in the City. Discussions are still proceeding and the Company is unable to predict at this time their final outcome. Any agreement between the Company and CATC would be subject to the approval of the Company's Board of Directors, the PSC and the local governments involved. The accounting treatment of such payments and of the assets transferred would depend, at least in part, upon the provisions of the PSC order issued in connection with the transfer but it is possible, although not certain, that the entire amount of the future payments and assets transferred could be charged to net income in one year.

One of the Company's wholly-owned subsidiaries, Energy Subsidiary, Inc., is primarily engaged in the real estate development of presently held properties. The Company's investment at December 31, 1979 in the subsidiary was approximately $12,400,000. In 1974 the Company announced, following communications with the PSC, that it would not enter into new real property acquisitions but would continue to fund the subsidiary's existing obligations while it makes an orderly disposition of the subsidiary's holdings. The PSC requires the Company to file semi-annual reports on the progress of the divestment of the real property.

The Price-Anderson Indemnification Act, which was passed by Congress in 1957, limits the liability of a power company operating a nuclear reactor to $560 million for one nuclear accident and provides for governmental indemnification above any available privately offered insurance such that the total amount of indemnification is equal to $560 million. The Act provides that all owners of nuclear reactors may be assessed up to $5,000,000 per reactor for each nuclear accident occuring at any reactor in the United States with a limit of two assessments per year (a retroactive premium). At the present time, the Company's maximum exposure would be $6,667,000 per year under this legislation.

The Department of Energy has asked Congress for authority to acquire or build temporary storage facilities for spent fuel from nuclear reactors. Such facilities would be financed through assessments against utilities with nuclear facilities. The Company cannot predict whether such authority will be granted or the extent to which the Company would be subject to assessment or the ultimate effect of any such procedure upon the Company.

Recently enacted Federal energy legislation seeks, through various regulatory and tax provisions, to achieve the conservation of energy and the development and use of more plentiful domestic fuels. Among other things, this legislation provides for consideration by state regulatory commissions of certain electric rate design policies, development of residential energy conservation plans by states, new standards governing interconnections and wheeling of power, tax credits to encourage the construction of equipment for the production and use of coal, prohibitions against the use of oil or gas as fuel in existing industrial and utility facilities with coal burning capability, and regulation of the price of intrastate gas by the Federal government. The Natural Gas Policy Act of 1978 will allow the price of

Other Matters (Continued)

natural gas at the producer level to rise according to a formula until price deregulation occurs by 1985. Under this Act certain industrial and commercial customers are subject to incremental pricing of gas. The Public Utility Regulatory Practices Act of 1978 ("PURPA") requires state regulatory agencies to consider different types of rate structures to force more energy conservation. Also, states will be required to consider revision of utility customer practices. The PSC will hold hearings and consider these matters during the spring and summer of 1980. DOE is currently studying proposals to amend the Fuel Use Act of 1978 to require additional conversions of oil fired generating plants to coal. The Company is unable to predict the effect of this legislation upon it.

EXECUTIVE OFFICERS OF THE COMPANY

Arthur M. Williams, Chairman of the Board, Age 65

Mr. Williams has served as Staff Counsel, Vice President and Staff Counsel, Senior Vice President, President, President and Chief Executive Officer, Chairman of the Board and Chief Executive Officer. Mr. Williams retired as Chief Executive Officer effective October 1, 1979, but will continue to serve as Chairman of the Board and will assist management as a consultant in several key planning areas. He has been an executive officer since 1959.

During the past five years, until his normal retirement on October 1, 1979, Mr. Williams has served as President and Chief Executive Officer and Chairman of the Board and Chief Executive Officer with ultimate accountability for all phases of the Company's business.

Virgil C. Summer, President and Chief Executive Officer, Age 59

Mr. Summer was elected President and Chief Executive Officer effective October 1, 1979. He has served in various engineering staff positions in the Company's Electric Operations Department. In 1962, he was named Manager-Production Operations, Engineering and Construction, Vice President in 1966, Senior Vice President-Operations in 1967 and President and Chief Operating Officer in 1977. Mr. Summer remained in this position until being named President and Chief Executive Officer in October 1979. He is a registered professional engineer and a Fellow of the American Society of Mechanical Engineers. He has been an executive officer since 1966.

From January 1975 until October 1, 1979, he served as Senior Vice President-Operations ultimately accountable for planning, construction, engineering and operation of the three types of service rendered by the Company - electric, gas and transit (coach) and President and Chief Operating Officer sharing with Mr. Williams ultimate accountability for all phases of the Company's business. Upon being elected President and Chief Executive Officer, Mr. Summer assumed ultimate accountability for all phases of the Company's business.

Oscar S. Wooten, Executive Vice President-Finance, Age 56

Mr. Wooten has served as Assistant Controller, Assistant Vice President, Vice President, Senior Vice President-Finance; and in May 1977 was named Executive Vice President-Finance. He has been an executive officer since 1967.

During the past five years in which he has served as Senior Vice President-Finance and Executive Vice President-Finance, Mr. Wooten's primary function has been that of raising funds and advising the Company's management on its financial position. In addition, he is directly responsible for the Secretarial, Treasury, Accounting and Data Processing Departments.

Executive Officers of the Company (Continued)

C. Joseph Fritz, Executive Vice President-Administration, Age 61

Mr. Fritz has served in various operating, enginering and accounting staff positions. He was named Office Engineer in 1957, Assistant to the Vice President and General Manager in 1962, Executive Assistant to the President in 1966, Vice President in 1968, Senior Vice President-Administration in 1970; and effective October 1, 1979, was named Executive Vice President-Administration. He has been an executive officer since 1968.

During the past five years he has served as Senior Vice President-Administration, until being named Executive Vice President-Administration. In this position, he is accountable for the corporate functions of Employee Relations, Public Affairs, Quality Assurance, Security. Purchasing, Fuel Supply, Garage, Automotive Equipment, Corporate Communications, Safety, Training, Corporate Planning, Performance Analysis, Land and Real Estate.

Grayson C. Meetze, Executive Vice President-Operations, Age 60

Mr. Meetze has served as General Purchasing Agent, Manager of Purchasing, Stores and Automotive Equipment, Vice President-Purchasing, Automotive and Transit, Vice President and Assistant to the Senior Vice President-Operations, Senior Vice President and General Manager-Operations; and effective October 1, 1979,was named Executive Vice President-Operations. He has been an executive officer since 1970.

From January 1975 until December 31, 1976 he served as Vice President-Purchasing, Automotive and Transit with accountability for purchasing, stores and automotive equipment, as well as the Company's transit (coach) operations. Effective January 1, 1977 Mr. Meetze became Vice President and Assistant to the Senior Vice President-Operations which position he held until being named Senior Vice President and General Manager-Operations on May 18, 1977. In his new position, Executive Vice President-Operations, he is responsible for assuring proper coordination and effective performance of the Company's electric, gas and transit (coach) operations. He has principal concern for the planning, design, engineering, construction and operation of the three phases of service rendered by the Company from ultimate source to the customer.

William N. Ackerman, Vice President-Gas Operations, Age 52

Mr. Ackerman has served in various Gas Department staff positions; System Gas Engineer, Assistant Manager-Gas Operations, Manager-Gas Operations, General Manager-Gas Operations and Vice President-Gas Operations. He has been an executive officer since 1977.

From January 1975 until January 1, 1977 he served as General Manager-Gas Operations and effective January 1, 1977 he became Vice President-Gas Operations. Both positions are accountable for planning, design, construction and operation of the Company's gas transmission and distribution system, including its propane and LNG storage facilities.

Executive Officers of the Company (Continued)

Harry G. Boylston, Jr., Vice President and Group Executive-Rate Regulation, Marketing and Area Development, Age 55

Mr. Boylston has served in various engineering and marketing staff positions, District Engineer, District Manager, Manager Contracts and New Business, General Manager-Marketing and Area Development and Vice President-Marketing and Area Development; and effective February 1, 1980, was named Vice President and Group Executive-Rate Regulation, Marketing and Area Development. He has been an executive officer since 1977.

From January 1975 to January 31, 1980, he served as General Manager-Marketing and Area Development and Vice President-Marketing and Area Development; and effective February 1, 1980 was named Vice President and Group Executive-Rate Regulation, Marketing and Area Development. In this position Mr. Boylston is accountable for rate design, rate research, including customer-oriented functions involving rates and area development.

Esca (Ed) H. Crews, Vice President and Group Executive-Engineering Services and Construction, Age 57

Prior to being employed by the Company, Mr. Crews was associated with Gilbert Associates, Inc., Reading, Pennsylvania. While in the employ of Gilbert Associates, he was in charge of constructing various electric power plants throughout the United States and overseas. He became affiliated with the Company in November 1962. Since his employment, he has been Superintendent of Construction, Manager-Construction and Engineering Services, Manager-Engineering Services, Construction and Production, Vice President and Vice President and Group Executive-Engineering Services and Construction. He has been an executive officer since 1968.

During the past five years he has served as Vice President and Vice President and Group Executive-Engineering Services and Construction with accountability for planning, engineering design and construction of the Company's generating stations. In addition, he is responsible for the Company's engineering services.

Frank C. Davis, Vice President-Corporate Relations, Age 64

Mr. Davis was named Vice President-Corporate Relations effective October 1, 1979. He has served as Administrative Assistant to the Operating Vice President, Manager-Industrial Relations, General Manager-Commercial Operations (Electric), Assistant Vice President-Gas Promotions and Advertising and Vice President-Corporate Communications. He has been an executive officer since 1964.

During the past five years he has served as Vice President-Corporate Communications and Vice President-Corporate Relations responsible for advertising, public relations, corporate communications with the public and news media and supervision of the Company's Saluda hydro licensed project land management program. The reassignment of Mr. Davis as Vice

Executive Officers of the Company (Continued)

Frank C. Davis (Continued)

President-Corporate Relations will permit him to serve as consultant and special assistant during the interim period until his retirement in February, 1980.

George H. Fischer, Vice President and Group Executive - Legal Affairs, Age 56

Mr. Fischer was engaged in private law practice prior to joining the Company in 1959. Since then, he has served in various legal staff positions; Assistant Staff Counsel, General Counsel, Vice President and General Counsel; and effective October 1, 1979, was named Vice President and Group Executive-Legal Affairs. He has been an executive officer since 1970.

During the past five years he has served as Vice President and General Counsel until October 1979 when he assumed his present position. Both positions are accountable for all phases of the Company's legal affairs

Thomas M. Groetzinger, Vice President and Group Executive-Accounting and Computer Services, Age 52

Mr. Groetzinger has served in various accounting staff positions; Supervisor of Taxes, Manager of Taxes, Assistant Controller, Controller, Vice President and Controller; and effective February 1, 1980, was named Vice President and Group Executive-Accounting and Computer Services. He has been an executive officer since 1973.

During the past five years he has served as corporate Controller,. Vice President and Controller and effective February 1, 1980, was named Vice President and Group Executive-Accounting and Computer Services, with responsibility for all accounting functions, data processing and computer services, including analysis, programming and operation.

D. Ellis Hay, Jr., Vice President-Customer Operations, Northern Division, Age 55

Mr. Hay has served in various engineering staff positions, Distribution Engineer, District Engineer, Associate Engineer, District Manager, Manager-Distribution Operations-Districts, Vice President-Customer Operations Districts; and effective June 1, 1979, was named Vice President-Customer Operations Northern Division. He has been an executive officer since 1977.

During the past five years he has served as Manager, Distribution Operations-Districts, Vice President Customer Operations-Districts and effective June 1, 1979, was named Vice President-Customer Operations, Northern Division with responsibility for construction, operation and maintenance of the Company's electric, gas and transit (coach) systems,

Executive Officers of the Company (Continued)

D. Ellis Hay, Jr. (Continued)

including supervision of customer services and affairs in the northern section of the Company's service area.

J. W. Huggins, Vice President-Property Management and Facility Planning, Age 58

Since joining the Company in March 1969, Mr. Huggins has held the position of Vice President of Energy Subisdiary, Inc., the Company's wholly-owned subsidiary; and effective February 1, 1980 was named Vice President-Property Management and Facility Planning. He has been an executive officer since February 1, 1980.

During the past five years he has served as Vice President of Energy Subisidiary, Inc. (primarily engaged in the holding and development of real property). Since being named Vice President-Property Management and Facility Planning, Mr. Huggins assumed additional responsibilities for all other Company real estate activities and additional matters relating to general office space, planning, cost/benefit analysis, leasing and project coordination.

Malcolm C. Johnson, Vice President and Group Executive-Special Services and Purchasing, Age 60

Mr. Johnson has served as Superintendent, Relays & Communication; Superintendent, Transmission; Manager, Transmission Planning, Operation and Maintenance; Assistant Vice President, Transmission Planning, Operation and Maintenance; Vice President, Electric System Operations, Transmission and Distribution; Vice President, Special Services; and Vice President and Group Executive-Special Services and Purchasing. He has been an executive officer since 1967.

From January 1975 to January 1, 1977 he served as Vice President, Special Services and effective January 1, 1977 was named Vice President and Group Executive-Special Services and Purchasing. Both positions are accountable for special studies and long-range planning, including site location for power generation facilities, security and quality assurance in nuclear and non-nuclear areas. Since January 1977 Mr. Johnson has assumed the added responsibilities of purchasing, stores and fuel procurement, including fuel contract negotiations.

Thomas C. Nichols, Jr., Vice President and Group Executive-Power Production and System Operations, Age 51

Mr. Nichols has served in various engineering staff positions; Associate Manager-System Operations and Planning, Manager-Transmission Operations, Manager-System Operations, Manager-Power Supply, General Manager-Production Operations, System Operations and Planning, General Manager-Power Supply, System Operations and Planning; Vice President, Power

Executive Officers of the Company (Continued)

Thomas C. Nichols (Continued)

Supply, System Operations and Planning and Vice President and Group Executive-Power Production and System Operations. He has been an executive officer since 1977.

From January 1974 to May 1, 1976, he served as General Manager, Production Operations, System Operations and Planning; effective May 1, 1976 he became General Manager, Power Supply, System Operations and Planning; effective January 1, 1977 he was elected Vice President-Power Supply, System Operations and Planning and on May 1, 1977 was named Vice President and Group Executive-Power Production and System Operations. In all of these positions Mr. Nichols has been directly responsible for the operation and maintenance of the Company's electric power generating facilities, system planning and load forecasting.

Curtis L. Rye, Vice President and Group Executive-Customer Operations, Age 50

Mr. Rye has served in various engineering staff positions, Senior Engineer-Distribution Operations, Superintendent Distribution Operations-Metro Columbia, Manager Distribution Operations-Metro Columbia, General Manager-Metro Columbia, Vice President-Customer Operations-Metro Columbia; and effective June 1, 1979, Mr. Rye was named Vice President and Group Executive-Customer Operations. He has been an executive officer since 1977.

During the past five years he has served as General Manager-Metro Columbia, Vice President-Customer Operations-Metro Columbia and effective June 1, 1979 was named Vice President and Group Executive-Customer Operations. In the two former positions, Mr. Rye was accountable for operation and maintenance of the Company's metropolitan Columbia electric and gas systems, including supervision of all customer related functions and affairs. In his present position effective June 1, 1979, Mr. Rye assumed the overall executive responsibility of all customer operations.

B. Marion Smith, Jr., Vice President and Group Executive-Public Affairs, Age 48

Mr. Smith served in the Company's Agricultural Development Department and Industrial Development Department before assuming staff positions as Director-Governmental Affairs, General Manager-Governmental Affairs, Vice President-Governmental Affairs; and effective October 1, 1979, was named Vice President and Group Executive-Public Affairs. He has been an executive officer since 1973.

From January 1975 to October 1, 1979 he was accountable for governmental related functions, public affairs and community resources planning, including community services. Effective October 1, 1979 in his new position of Vice-President-Group Executive-Public Affairs Mr. Smith assumes the added responsibility for corporate communications and information services.

Executive Officers of the Company (Continued)

Herman B. Speissegger, Jr., Vice President-Customer Operations, Southern Division, Age 54

Mr. Speissegger has served in various engineering staff positions, Senior Sales Engineer, Supervisor-Commercial Sales, Director-Electric Industrial Sales, General Manager-Metropolitan Charleston, Vice President-Customer Operations Metro Charleston; and effective June 1, 1979, was named Vice President-Customer Operations Southern Division. He has been an executive officer since 1977.

During the past five years he has served as General Manager-Metropolitan Charleston and Vice President-Customer Operations Metro Charleston and effective June 1, 1979, was named Vice President-Customer Operations Southern Division with responsibility for construction, operation and maintenance of the Company's electric, gas and transit (coach) systems, including supervision of customer services and affairs in the southern section of the Company's service area.

Robert W. Stedman, Controller, Age 38

Mr. Stedman has served as an Assistant to the Senior Vice President of Administration, as an Assistant Controller, and effective February 1, 1980, was named Controller. He has been an Executive Officer since February 1, 1980.

From March 1973 to January 30, 1980, he served as an Assistant Controller; and effective February 1, 1980 was named Controller. In this position Mr. Stedman is responsible for all accounting functions.

Donald R. Tomlin, Vice President and Group Executive-Customer Operations, Retired June 1, 1979, Age 65

Mr. Tomlin has served as Assistant Superintendent, Columbia Distribution, Superintendent-Columbia Distribution, Manager-Distribution Operations, General Manager-Transmission & Distribution Operations, Vice President-Transmission & Distribution Operations and Vice President and Group Executive-Customer Operations. Mr. Tomlin retired, June 1, 1979, after 42 years of service to the Company. He had been an executive officer since 1976.

From January 1975 until May 19, 1976 he was General Manager-Transmission & Distribution Operations and effective May 19, 1976 he became Vice President-Transmission & Distribution Operations. In both positions, he was responsible for the operation and maintenance of the Company's entire electric transmission and distribution system. On May 18, 1977 Mr. Tomlin became Vice President and Group Executive-Customer Operations with accountability for operation and maintenance of the Company's electric, gas and transit (coach) systems, including responsibility for customer service, rates, marketing and area development.

Executive Officers of the Company (Continued)

James W. Wedding, Vice President and Group Executive-Corporate Planning and Management Services, Age 54

Since joining the Company in March 1969, Mr. Wedding has held the positions of Executive Assistant to the Senior Vice President-Finance and Vice President-Computer Services; and effective February 1, 1980, was named Vice President and Group Executive-Corporate Planning and Management Services. He has been an executive officer since 1971.

During the past five years he has served as Vice President-Computer Services responsible for all phases of the Company's data processing and computer services. In his new position Mr. Wedding will be responsible for strategic corporate planning, economic research and analysis, property management and facility planning.

Hugh W. Weldon, Vice President and Group Executive-Administrative Services, Age 58

Mr. Weldon has served in various administrative staff positions; Personnel Representative, Personnel Director-Charleston Division, Manager, Employee Relations, Vice President-Employee Relations, Vice President-Administrative Services, and Vice President and Group Executive-Administrative Services. He has been an executive officer since 1969.

During the past five years he has served as Vice President, Employee Relations, Vice President-Administrative Services and Vice President and Group Executive-Administrative Services with accountability for employee activities of the Company, labor relations and Company coordinator in negotiating union contracts. In May 1977 he assumed the additional responsibility of management and control of the Company's automotive equipment.

Harold M. Bryant, Secretary, Age 58

Mr. Bryant has served as Personnel Director, Assistant Secretary and Secretary. He has been an executive officer since 1971.

During the past five years he has served as Secretary with accountability for corporate secretarial functions and insurance.

Henry H. Gaddis, Treasurer, Age 54

Mr. Gaddis has served as Senior Accountant, Assistant Treasurer and Treasurer. He has been an executive officer since 1972.

During the past five years he has served as Treasurer with accountability for corporate functions of cash operations and management.

South Carolina Electric & Gas Company

Item 2. Summary of Operations.

Reference is made to pages 32-33 of the 1979 Annual Report to shareholders for a Summary of Operations for each of the years 1975 through 1979 and pages 5-18 for Corporate and Financial Review including "Management's Discussion and Analysis of the Summary of Operations and Income". Such summary and analysis are hereby incorporated herein by reference.

NOTES TO SUMMARY OF OPERATIONS

(1) Approximately $18 million included in 1979 electric operating revenues are subject to refund (with interest) pending the outcome of a rate hearing presently before the PSC. The Company's application requested an increase in electric rates of 10.77% or approximately $38.9 million annually based on a test year ended March 31, 1979. The new electric rates were placed into effect July 1, 1979. Hearings are currently in progress and the PSC is expected to render a decision prior to June 30, 1980.

(2) Beginning in January 1977, the Company, pursuant to a FERC order which provided, among other things, a formula for computing a maximum allowable allowance for funds used during construction (AFC) rate, reclassified the interest portion of AFC related to borrowed funds in the Summary of Operations from "Other Income" to a reduction in "Interest Charges." The Company did not reclassify AFC into its debt and equity components for periods prior to Janauary 1, 1977 because the Company believes the components would not be comparable to the allocation made after December 31, 1976, utilizing the revised procedure of the FERC order. The rates used for computing AFC were 6.5% for 1979, 1978 and 1977 and 8% for 1976 and 1975. For comparative purposes, "Allowance for Funds Used During Construction: Equity" and "Allowance for Borrowed Funds Used During Construction (credit)" should be combined.

(3) Earnings per share of common stock have been computed by dividing earnings available for common stock by the weighted average number of shares outstanding.

South Carolina Electric & Gas Company

Item 3. Properties.

The following table gives information with respect to electric generating facilities of the Company.

Type	Name	Location	Net Generating Capability (Kilowatts)(1)
Steam	Canadys	Canadys, S. C.	430,000
	Hagood	Charleston, S. C	94,000
	McMeekin	Irmo, S. C.	252,000
	Urquhart	Beech Island, S. C.	250,000
	Wateree	Eastover, S. C.	720,000
	Williams	Goose Creek, S. C.	580,000
Gas Turbines	Burton	Burton, S. C.	30,000
	Faber Place	Charleston, S. C.	9,000
	Hardeeville	Hardeeville, S. C.	15,000
	Canadys	Canadys, S. C.	15,000
	Urquhart	Beech Island, S. C.	30,000
	Coit	Columbia, S. C.	32,000
	Parr (2)	Parr, S. C.	92,000(4)
	Williams (3)	Goose Creek, S. C.	54,000
Hydro	Columbia	Columbia, S. C.	10,000
	Neal Shoals	Carlisle, S. C.	5,000
	Parr Shoals	Parr, S. C.	14,000
	Saluda	Irmo, S. C.	206,000
	Stevens Creek	Martinez, Ga.	9,000
Pumped Storage	Fairfield	Parr, S. C.	512,000
	Total		3,359,000

(1) Summer rating.
(2) Two of the four Parr gas turbines are leased and have a net capability of 32,000 kilowatts. This lease expires on June 29, 1996.
(3) The two units at Williams are leased and have a net capability of 54 000 kilowatts. This lease expires on June 29, 1997.
(4) Includes 28,000 kilowatts of net capability associated with heat recovery.

The Company currently has under construction the V. C. Summer Nuclear Station (900 MW capacity, of which the Company owns two-thirds) scheduled for completion in 1980. For additional information see "Construction Program and Financing" under Item 1. Business.

The Company owns 423 substations having an aggregate transformer capacity of 14,229,342 KVA. The transmission system consists of 2,811 circuit

Item 3. Properties. (Continued)

miles of lines and the distribution system 12,319 pole miles of overhead lines and 1,007 cable miles of underground lines.

The Company's gas system consists of 610 miles of transmission pipelines and 3 652 miles of 3-inch equivalent distribution pipelines.

Through its wholly-owned subsidiary, South Carolina LNG Company, Inc., the Company owns an LNG plant located at Goose Creek, S. C. During off-peak periods, the LNG facility can liquefy up to 6,000 MCF per day and store one million MCF of natural gas. On peak days, the LNG plant can regasify up to 60 000 MCF per day.

Additionally, the Company has propane storage facilities in Charleston, Columbia and North Augusta, S. C., which can supplement the supply of natural gas by gasifying approximately 55,000 MCF per day.

Item 4. Parents and Subsidiaries.

The Company has no parent.

Listed below are the subsidiaries of the Company as of December 31, 1979:

Name of Company	Kind of Business	State of Incorporation	Percent Voting Stock Owned
Energy Subsidiary, Inc.	Primarily engaged in the holding and development of real property	South Carolina	100%
South Carolina LNG Company, Inc.	Liquefaction, storage, and gasification of natural gas.	South Carolina	100%
South Carolina Fuel Company, Inc.	Financing the Company's portion of nuclear fuel for the V. C. Summer Nuclear Station.	South Carolina	100%

The accounts of the Company's wholly-owned subsidiaries, South Carolina LNG Company, Inc.and South Carolina Fuel Company, Inc., are consolidated in the accompanying financial statements.

Item 4. Parents and Subsidiaries. (Continued)

The Company's investment in its wholly-owned subsidiary, Energy Subsidiary, Inc., is reported in the accompanying financial statements using the equity method of accounting. Separate financial statements of Energy Subsidiary, Inc. are not presented because Energy Subsidiary, Inc. is not a significant subsidiary.

Item 5. Legal Proceedings.

See Notes 2 and 9B of the Notes to the Consolidated Financial Statements included in the Company's 1979 Annual Report. For further information regarding legal proceedings see Item 1, "Business".

South Carolina Electric & Gas Company

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness.

(a) Equity Securities

Cumulative Preferred Stock	Par Value	At December 31, 1978 Shares	At December 31, 1978 Amount	Increase (Decrease) Shares	Increase (Decrease) Amount	At December 31, 1979 Shares	At December 31, 1979 Amount
Preferred Stock (not subject to purchase or sinking funds):							
5% Issued July 1943	$ 50.00	125,234	$ 6,261,700		$	125,234	$ 6,261,700
8.40% Issued December 1976	100.00	200,000	20,000,000			200,000	20,000,000
Total		325,234	$ 26,261,700			325,234	26,261,700
Preferred Stock (subject to purchase or sinking funds):							
4.60% Issued October 1950	50.00	26,334	1,316,700	(1,500)(1)	(75,000)	24,834	1,241,700
4.50% Issued June 1954	50.00	44,800	2,240,000	(1,600)(1)	(80,000)	43,200	2,160,000
4.60% (Series A) Issued June 1956	50.00	60,052	3,002,600	(2,000)(1)	(100,000)	58,052	2,902,600
5.125% Issued March 1961	50.00	89,000	4,450,000	(1,000)(1)	(50,000)	88,000	4,400,000
4.60% (Series B) Issued February 1963	50.00	132,600	6,630,000	(3,400)(1)	(170,000)	129,200	6,460,000
6.0% Issued December 1966	50.00	137,600	6,880,000	(3,200)(1)	(160,000)	134,400	6,720,000
*9.40% Issued November 1970	50.00	299,200	14,960,000	(6,800)(1)	(340,000)	292,400	14,620,000
*8.72% Issued December 1978	50.00	400,000	20,000,000			400,000	20,000,000
*8.0% Issued January 1979	50.00			300,000 (3)	15,000,000	300,000	15,000,000
*8.12% Issued July 1971	100.00	198,000	19,800,000	(4,400)(1)	(440,000)	193,600	19,360,000
*7.70% Issued July 1972	100.00	137,400	13,740,000	(2,400)(1)	(240,000)	135,000	13,500,000
6.875% Issued January 1974	100.00	150,000	15,000,000	(150,000)(2)	(15,000,000)		
*10.75% Issued December 1975	100.00	200,000	20,000,000			200,000	20,000,000
Total		1,874,986	$128,019,300	123,700	(1,655,000)	1,998,686	126,364,300
Total Cumulative Preferred Stock		2,200,220	$154,281,000	123,700	$(1,655,000)	2,323,920	$152,626,000
Common Stock							
	4.50	22,439,871	$100,979,420	191,335(4)	861,007		
				104,139(5)	468,625		
				459,518(6)	2,067,831		
				1,000,000(7)	4,500,000		
		22,439,871	$100,979,420	1,754,992	7,897,463	24,194,863	108,876,883

*Securities registered pursuant to 12(g) of the Act.

(1) Cumulative Preferred share retired per purchase or sinking fund requirements.
(2) Retired in connection with sale of shares referred to in (3) below.
(3) Issued and sold pursuant to a purchase agreement dated January 31, 1979, with an institutional investor. (Previously reported in 10-Q report for quarter ended March 31, 1979).
(4) Total number of shares issued under provisions of the Company's Employee Stock Purchase-Savings Program.
(5) Total number of shares issued under provisions of the Company's Employee Stock Ownership Plan.
(6) Total number of shares issued under provisions of the Company's Dividend Reinvestment and Stock Purchase Plan.
(7) On April 26, 1979 the Company sold 1,000,000 shares of Common Stock to the public through a group of underwriters at a public offering price of $16.875 per share. (Previously reported in 10-Q report for quarter ended March 31, 1979).

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness. (Continued)

(b) Debt Securities

Sale on April 26, 1979 of $35,000,000 principal amount of First and Refunding Mortgage Bonds 10-1/8% Series due April 1, 2009 dated April 1, 1979. Previously reported on Form 10-Q for the quarter ended March 31, 1979.

Sale on June 21, 1979 of $50,000,000 principal amount of First and Refunding Mortgage Bonds 9-7/8% Series due June 1, 2009 dated June 1, 1979. Previously reported on Form 10-Q for the quarter ended June 30, 1979.

(c) Increase or Decrease in Amount of Debt Securities Outstanding During Fourth Quarter

Previously reported on Form 10-Q for the quarter ended September 30, 1979.

Item 7. Changes in Securities and Changes in Security for Registered Securities.

Previously reported on Forms 10-Q.

Item 8. Defaults Upon Senior Securities.

None.

South Carolina Electric & Gas Company

Item 9. Approximate Number of Equity Security Holders.

(1) Title of Class	(2) Number of Record Holders (as of December 10, 1979)
Cumulative Preferred Stock, par value \$50 per share, having no sinking or purchase fund	
5.00% Series, par value \$50	941
Cumulative Preferred Stock, par value \$100 per share, having no sinking or purchase fund	
8.40% Series, par value \$100	455
Cumulative Preferred Stock, par value \$50 per share, having a periodic purchase fund	
4.50% Series, par value \$50	83
4.60% Series, par value \$50	9
4.60% Series A, par value \$50	29
4.60% Series B, par value \$50	22
5.125% Series, par value \$50	18
6.00% Series, par value \$50	20
Cumulative Preferred Stock, par value \$50 per share or \$100 per share, having a periodic sinking fund	
8.00% Series, par value \$50	1
8.72% Series, par value \$50	79
9.40% Series, par value \$50	1,062
8.12% Series, par value \$100	1,014
7.70% Series, par value \$100	250
10.75% Series, par value \$100	1
Common Stock, par value \$4.50	57,882

Item 10. Submission of Matters to a Vote of Security Holders.

Previously reported on Form 10-Q.

In accordance with the "Instructions as to Exhibits" to Form 10-K, copies of the Company's proxy soliciting material relating to the annual meeting of stockholders to be held on April 23, 1980 will be furnished to the Commission when it is sent to the stockholders. Copies of the Company's annual report to the stockholders, including the financial statements incorporated in this Form 10-K by reference, are being furnished to the Commission simultaneously with the filing of this Form 10-K.

Item 11. Indemnification of Directors and Officers.

Section 8.18 of the South Carolina Business Corporation Act of 1962 provides as follows:

"Right of Indemnity of Directors, Officers and Others. - (a) A corporation shall have power to indemnify any person who is made a party to any suit, action or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, against expenses, including attorney's fees, actually and reasonably incurred by him in connection with such action, suit of proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the corporation, except that no indemnification shall be made in respect of any claim, judgments, amounts paid in settlement, issue, fine, matter, attorney fees for a criminal proceeding, or as to such person guilty of a violation of a criminal law, or as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Provided, that said misconduct did not involve moral turpitude.

(b) The rights and remedy provided by this section shall be exclusive. Any provision of the articles of incorporation, bylaws, or resolution of the corporation of its directors or shareholders, purporting to extend or limit such rights and remedy, shall be invalid.

(c) The right of indemnity shall inure to the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to indemnification hereunder.

(d) Notwithstanding the provisions of Section (b) above, a corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, Item 11. (Continued)

employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this section. Provided, however, such payment or payments cannot be made except in accordance with item (a) of this section."

Item 12. Financial Statements, Exhibits Filed, and Reports on Form 8-K

(a) TABLE OF CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL FINANCIAL DATA INCLUDED IN ANNUAL REPORT (FORM 10-K) FOR THE YEAR ENDED DECEMBER 31, 1979

Report of Independent Certified Public Accountants.

Consolidated financial statements appearing in the Company's 1979 Annual Report are incorporated herein by reference.

Additions to Notes to Consolidated Financial Statements.

Supplemental Schedules:

V - Property, Plant and Equipment
VI - Accumulated Depreciation of Property, Plant and Equipment

The above listed financial statements are consolidated only since the Registrant is primarily an operating company and the subsidiaries included in the consolidated financial statements are not significant.

Supplemental schedules other than those listed above are omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements or in the notes thereto.

*Form 11-K for the Company's Employee Stock Ownership Plan for the year ended December 31, 1979 is incorporated herein by reference.

*Form 11-K for the Company's Employee Stock Purchase-Savings Program for the fiscal year ending June 30, 1980 is incorporated herein by reference.

(b) The Company did not file any reports on Form 8-K during the last quarter of the year ended December 31, 1979.

*Will be furnished to the Commission when information becomes available.

Deloitte
Haskins+Sells

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Cable DEHANDS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

South Carolina Electric & Gas Company:

We have examined the consolidated balance sheets of South Carolina Electric & Gas Company and consolidated subsidiaries as of December 31, 1979 and 1978 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended and have issued our report thereon (which is qualified as set forth therein) dated February 8, 1980 which is included in your 1979 Annual Report to shareholders and incorporated herein by reference. Our examinations also comprehended the Additions to Notes to Consolidated Financial Statements and the Supplemental Schedules of South Carolina Electric & Gas Company for the years ended December 31, 1979 and 1978 as listed on the accompanying table of contents included in Item 12. In our opinion, such Additions to Notes to Consolidated Financial Statements and Supplemental Schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

DELOITTE HASKINS & SELLS

February 8, 1980

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South Carolina Electric & Gas Company
Additions to Notes to Consolidated
Financial Statements

1. Long-term Debt:

The "Unsecured Notes - Banks" bear interest as determined by a formula applied to the applicable prime rate of The Chase Manhattan Bank. If the Notes are not prepaid, aggregate interest in excess of interest computed at 7.625% per annum will be refunded to the Company in cash (approximately $6 million) and reductions in compensating balances (approximately $651 thousand). Interest paid in excess of 7.625% ($6,651,700 at December 31, 1979 and $5,540,000 at December 31, 1978) is included in "Receivables" in 1979 and "Deferred Debits - Other" in 1978 in the accompanying consolidated financial statements. Deferred income taxes of approximately $3.3 million and $2.8 million applicable to such excess interest payments are included in "Taxes Accrued" and "Accumulated Deferred Income Taxes" at December 31, 1979 and 1978, respectively.

2. Preferred Stock:

A "Purchase Fund" or "Sinking Fund" must be set aside annually as long as certain series of cumulative preferred stock remain outstanding. Such "Funds" shall equal a percentage of the total par value of the largest number of shares of such stock at any time theretofore outstanding, which monies will be applied to redeem shares of stock at par value. The beginning dates and applicable percentages of such series of cumulative preferred stock are as follows:

Purchase Funds

Series	Beginning Date	Percentage	Annual Amount
4.60%	October 1, 1951	2-1/2%	$ 75,000
4.50%	June 1, 1957	2 %	80,000
4.60%, Series A	June 1, 1958	2 %	100,000
5.125%	April 1, 1963	1 %	50,000
4.60%, Series B	March 1, 1968	2 %	170,000
6.00%	January 1, 1972	2 %	160,000

After the receipt of tenders, any unused portion of the "Purchase Fund" shall revert to the general funds of the Company.

Additions to Notes to Consolidated Financial Statements. (Continued)

2. Preferred Stock (continued):

Sinking Funds

Series	Beginning Date	Percentage	Annual Amount
9.40%	October 1, 1973	2 %	$ 340,000
8.12%	July 1, 1974	2 %	440,000
7.70%	July 1, 1975	2 %	300,000
10-3/4%			
(A)	October 1, 1981	6-1/2%	1,300,000
(B)	October 1, 1995	9 %	1,800,000
8.72%	January 1, 1985	4 %	800,000
8.00%			
(A)	January 31, 19f7	20 %	3,000,000
(B)	January 31, 1988	33-1/3%	5,000,000
(C)	January 31, 1989	46-2/3%	7,000,000

Unless the "Purchase Fund" and "Sinking Fund" requirements are met in full, no distribution may be made on the common stock.

3. Common Stock:

The following authorized shares of common stock of the Company were reserved for issuance pursuant to:

	December 31, 1979	December 31, 1978
Stock Purchase-Savings Program for Employees	329,895	521,230
Dividend Reinvestment and Stock Ownership Plan ...	1,588,383	547,901
Employees Stock Ownership Plan	280,408	384,547

4. Supplementary Information:

Maintenance (including repairs) and provision for depreciation and amortization of utility plant are shown separately in the accompanying consolidated statement of income, except for amounts charged to clearing and other accounts, which amounts are not significant.

Rents, advertising expenses and research and development costs are not material. There were nc royalties.

Additions to Notes to Consolidated Financial Statements (Continued)

4. Supplementary Information (continued):

Taxes other than income taxes are as follows:

	Year Ended December 31, 1979	1978
	(Thousands of Dollars)	
State electric generation tax	$ 3,829	$ 3,954
General property taxes	16,419	13,557
Special state utility license	570	645
Federal social security taxes	3,235	2,568
Tax for support of South Carolina Public Service Commission	677	498
State gross receipts tax	1,457	1,203
Other taxes	2,679	2,179
Total	28,866	24,604
Less - Amount charged to other accounts	1,531	1,186
Remainder - Charged to operating expenses	$27,335	$23,418

SCHEDULE V

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Property, Plant and Equipment
Year Ended December 31, 1979

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Classification	Balance at beginning of period	Additions	Retirements	Other Changes add (deduct)	Balance at close of period
Electric Utility Plant:				(*)	
Intangible Plant	$ 137,644	$ 2,033			$ 139,677
Production Plant - Steam	358,154,149	5,734,865	$1,789,709		362,099,305
Production Plant - Hydraulic	237,507,442	1,391,695	16,012	$(106,172)	238,776,953
Other Production	18,947,842	1,769			18,949,611
Transmission	147,379,272	15,318,055	273,893	10,054	162,433,488
Distribution	296,674,288	22,409,569	1,897,502	(10,054)	317,176,301
General	17,080,581	1,210,804	364,148	(93,514)	17,833,723
Held for Future Use	4,470			94,178	98,648
Construction Work in Progress	397,933,846	88,914,350			486,848,196
Total Electric Plant	1,473,819,534	134,983,140	4,341,264	(105,508)	1,604,355,902
Gas Utility Plant:					
Intangible Plant	117,621				117,621
Production Plant	8,106,409	437		(55)	8,106,791
Storage Plant	14,827,109			(2,759)	14,824,350
Transmission	26,987,688	22,866		2,759	27,013,313
Distribution	80,699,391	3,508,320	432,863		83,774,848
General	1,805,447	376,300	145,812	(15,669)	2,020,266
Constuction Work in Progress	371,525	1,431,887			1,803,412
Total Gas Plant	132,915,190	5,339,810	578,675	(15,724)	137,660,601
Coach Utility Plant:					
Plant in Service	3,648,362	7,435	4,327	1,745	3,653,215
Construction Work in Progress	467	88,253			88,720
Total Coach Plant	3,648,829	95,688	4,327	1,745	3,741,935
Common Utility Plant:					
Plant in Service	12,535,510	1,101,106	81,621	13,315	13,568,310
Held for Future Use	8,873				8,873
Construction Work in Progress	733,161	936,925			1,670,086
Total Common Plant	13,277,544	2,038,031	81,621	13,315	15,247,269
Nuclear Fuel	38,219,693	5,063,883			43,283,576
Total Utility Plant	1,661,880,790	147,520,552	5,005,887	(106,172)	1,804,289,283
Nonutility Property	10,202,844	333,974	970,088	106,172	9,672,902
Total Property, Plant and Equipment	$1,672,083,634	$147,854,526	$5,975,975	$ -0-	$1,813,962,185

(*) Includes accounting reclassification of property and equipment between various utility plant and nonutility plant classifications

SCHEDULE V (Continued)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Property, Plant and Equipment
Year Ended December 31, 1978

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Classification	Balance at beginning of period	Additions	Retirements	Other Changes add (deduct)	Balance at close of period
Electric Utility Plant:				(*)	
Intangible Plant	$ 91,081	$ 46,563			$ 137,644
Production Plant - Steam	353,031,042	5,209,640	$ 258,885	$ 172,352	358,154,149
Production Plant - Hydraulic	38,018,752	199,5[illegible]5,971	63,537	(3,744)	237,507,442
Other Production	18,637,671	47,798	2,585	264,958	18,947,842
Transmission	124,478,494	23,378,634	441,472	(36,384)	147,379,272
Distribution	275,687,917	22,407,282	1,456,770	35,859	296,674,288
General	15,970,263	1,377,268	265,618	(1,332)	17,080,581
Held for Future Use	4,470				4,470
Construction Work in Progress	504,900,520	(106,966,674)			397,933,846
Total Electric Plant	1,330,820,210	145,056,482	2,488,867	431,709	1,473,819,534
Gas Utility Plant:					
Intangible Plant	117,621				117,621
Production Plant	8,115,775	1,808	11,174		8,106,409
Storage Plant	14,778,486	48,623			14,827,109
Transmission	27,341,459	34,235	3,435	(384,571)	26,987,688
Distribution	78,601,816	2,677,152	525,675	(53,902)	80,699,391
General	1,669,509	229,547	94,205	596	1,805,447
Construction Work in Progress	191,923	179,602			371,525
Total Gas Plant	130,816,589	3,170,967	634,489	(437,877)	132,915,190
Coach Utility Plant:					
Plant in Service	3,627,107	28,407	7,152		3,648,362
Construction Work in Progress	16,563	(16,096)			467
Total Coach Plant	3,643,670	12,311	7,152		3,648,829
Common Utility Plant:					
Plant in Service	12,883,566	591,760	940,614	798	12,535,510
Held for Future Use	8,873				8,873
Construction Work in Progress	446,248	286,913			733,161
Total Common Plant	13,338,687	878,673	940,614	798	13,277,544
Nuclear Fuel	10,491,895	27,727,798			38,219,693
Total Utility Plant	1,489,111,0[illegible]1	176,846,231	4,071,122	(5,370)	1,661,880,790
Nonutility Property	2,510,736	7,697,833	11,095	5,370	10,202,844
Total Property, Plant and Equipment	$1,491,621,787	$184,544,064	$4,082,217	$ -0-	$1,672,083,634

(*) Includes accounting reclassification of property and equipment between various utility plant and nonutility plant classifications.

SCHEDULE VI

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Accumulated Depreciation of Property, Plant and Equipment
Year Ended December 31, 1979

Col. A Classification	Col. B Balance at beginning of period	Col. C Additions	Col. D Retirements (*)	Col. E Other charges add (deduct)	Col. F Balance at close of period
Electric Utility Plant:					
Production Plant - Steam	$122,856,224	$11,255,800	$1,350,664		$132,761,360
Production Plant - Hydraulic	15,327,982	2,983,200	43,609		18,267,573
Other Production	6,784,968	733,200	(186)		7,518,354
Transmission	28,578,248	3,511,400	313,029	$ 9,067	31,785,686
Distribution	74,793,152	11,044,800	1,960,955	(9,067)	83,867,930
General	6,904,953	938,800	318,083	(5,458)	7,520,212
Total Electric Plant	255,245,527	30,467,200	3,986,154	(5,458)	281,721,115
Gas Utility Plant:					
Production Plant	1,581,078	268,800	1,153	(42)	1,848,683
Storage Plant	1,842,665	988,800	777	(769)	2,829,919
Transmission	11,591,581	1,052,400		769	12,644,750
Distribution	23,082,746	2,672,400	627,029		25,128,117
General	740,613	146,600	111,311	(3,808)	772,094
Total Gas Plant	38,838,683	5,129,000	740,270	(3,850)	43,223,563
Coach Utility Plant	2,508,209	135,600	4,327	1,906	2,641,388
Common Utility Plant	2,335,960	498,700	96,371	7,402	2,745,691
Total Utility Plant	298,928,379	36,230,500	4,827,122	-0-	330,331,757
Nonutility Property	76,975	16,143	(3,249)		96,367
Total Property, Plant and Equipment	$299,005,354	$36,246,643	$4,823,873	$ -0-	$330,428,124

(*) After deduction of net salvage.

SCHEDULE VI (Continued)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Accumulated Depreciation of Property, Plant and Equipment
Year Ended December 31, 1978

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Classification	Balance at beginning of period	Additions	Retirements (*)	Other charges add (deduct)	Balance at close of period
Electric Utility Plant:					
Production Plant - Steam	$111,486,403	$11,084,000	$ (135,205)	$ 150,616	$122,856,224
Production Plant - Hydraulic	13,912,169	1,479,000	63,537	350	15,327,982
Other Production	5,939,966	723,600	2,662	124,064	6,784,968
Transmission	25,827,351	3,101,500	324,725	(25,878)	28,578,248
Distribution	65,879,307	10,405,800	1,517,833	25,878	74,793,152
General	6,252,539	855,900	204,596	1,110	6,904,953
Total Electric Plant	229,297,735	27,649,800	1,978,148	276,140	255,245,527
Gas Utility Plant:					
Production Plant	1,312,278	268,800			1,581,078
Storage Plant	868,955	984,800	11,090		1,842,665
Transmission	10,763,429	1,065,500	3,435	(233,913)	11,591,581
Distribution	21,201,829	2,597,400	675,366	(41,117)	23,082,746
General	696,046	124,100	78,430	(1,103)	740,613
Total Gas Plant	34,842,537	5,040,600	768,321	(276,133)	38,838,683
Coach Utility Plant	2,352,741	159,500	4,032		2,508,209
Common Utility Plant	2,735,384	468,500	867,929	5	2,335,960
Total Utility Plant	269,228,397	33,318,400	3,618,430	12	298,928,379
Nonutility Property	63,021	14,783	817	(12)	76,975
Total Property, Plant and Equipment	$269,291,418	$33,333,183	$3,619,247	$ -0-	$299,005,354

(*) After deduction of net salvage.

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PART II

Items 13 through 15.

These items have been omitted since such information has been or will be filed with the Securities and Exchange Commission in a definitive proxy statement pursuant to Regulation 14A.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

South Carolina Electric & Gas Company
(Registrant)

Date February 15, 1980 By /s/ R. W. Stedman
(Signature)
R. W. Stedman
Controller

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended September 30, 1980 Commission File Number 1-3375

South Carolina Electric & Gas Company
(Exact name of registrant as specified in its charter)

South Carolina	57-0248695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

328 Main Street, Columbia, South Carolina 29218
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (803) 748-3000

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securites Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x . No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common: 25,865,629

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

INDEX

SOUTH CAROLINA ELECTRIC & GAS COMPANY

MANAGEMENT'S ANALYSIS AND DISCUSSION OF OPERATIONS

Comparison of the Quarter Ended September 30, 1980

with the Corresponding Quarter in 1979.

(a) Total operating revenues for the quarter ended September 30, 1980 increased $26.2 million over the corresponding quarter in 1979. Revenues from the sale of electrical energy increased $29.0 million and revenues from the sale of natural gas decreased $2.8 million. The increase in electric revenues was primarily attributable to an increase in consumption of energy by electric customers and the addition of approximately 6,700 residential customers. The summer of 1980 was one of the hottest and driest in the past twenty years, which had the effect of increasing the demand for electricity for air-conditioning by residential and commercial customers. Additionally, as a result of this unusually hot weather the Company established a new territorial peak demand of 2,489 MW on August 6, 1980. Revenues from the sale of natural gas decreased primarily due to decreased consumption by residential and industrial customers and a decrease in the cost of gas from the Company's supplier, which is passed along to gas customers through the purchased gas adjustment clause. The decrease in consumption was primarily attributable to conservation of energy by residential customers and recessionary pressures on industrial customers, especially in the building products industry.

(b) (1) Electric Sales (Thousands of KWH)

Classification	Quarter Ended 9/30/79	Quarter Ended 9/30/80	Change	% Change
Residential	1,049,497	1,258,696	209,199	19.9
Commercial	739,537	820,951	81,414	11.0
Industrial	1,031,075	1,062,842	31,767	3.1
Sales for Resale	244,142	304,251	60,109	24.6
Other	87,529	96,915	9,386	10.7
Total	3,151,780	3,543,655	391,875	12.4

(2) Gas Sales (Thousands of Therms)

Classification	Quarter Ended 9/30/79	Quarter Ended 9/30/80	Change	% Change
Residential	5,337	4,827	(510)	(9.6)
Commercial	17,293	17,292	(1)	
Industrial	89,019	69,644	(19,375)	(21.8)
Municipal	7,098	7,888	790	11.1
Total	118,747	99,651	(19,096)	(16.1)

(c) Operation and maintenance expenses excluding taxes and depreciation, for the quarter ended September 30, 1980, showed an increase of $17.0 million over the corresponding quarter in 1979 as detailed below:

All Amounts Shown in Millions of Dollars	Quarter Ended 9/30/79	Quarter Ended 9/30/80	Change	% Change
Fuel Used in Electric Generation	$54.8	$ 74.3	$19.5	35.6
Net Purchased Power	(1.7)	(2.3)	(0.6)	(35.3)
Gas Purchased for Resale	25.0	21.3	(3.7)	(14.8)
Other Operation	12.1	12.6	0.5	4.1
Maintenance	5.9	7.2	1.3	22.0
Total	$96.1	$113.1	$17.0	17.7

As shown above, fuel used in electric generation increased $19.5 million primarily due to an increase in the cost of fuel burned and increased consumption of energy by electric customers. Net purchased power decreased $0.6 million due to increased deliveries of electrical interchange power to other utilities of $6.6 million and increased purchased and interchange power received from other utilities of $6.0 million. Gas purchased for resale decreased $3.7 million due primarily to a decrease in consumption by residential and industrial customers and a decrease in the cost of gas from the Company's supplier. Other operation and maintenance expenses combined for an increase of $1.8 million. This increase can be primarily attributed to continued inflationary pressures on wages and material costs.

Comparison of the Quarter Ended September 30, 1980 with the Preceding Quarter Ended June 30, 1980

(d) The Company is of the opinion that current quarter data and preceding quarter data may not be directly comparable because the operating results of the Company are subject to seasonal changes in weather conditions.

(e) Total operating revenues for the quarter ended September 30, 1980 increased $36.8 million over the preceding quarter ended June 30, 1980. Revenues from the sale of electrical energy increased $47.8 million, while revenues from the sale of natural gas decreased $11.0 million. The increase in electric revenues was primarily attributable to increased consumption of energy by electric customers, primarily for air-conditioning. The decrease in revenues from the sale of natural gas was primarily attributable to a decrease in consumption by gas heating customers and a decrease in the cost of gas from the Company's supplier, which is passed along to gas customers through the purchased gas adjustment clause.

(f) (1) Electric Sales (Thousands of KWH)

Classification	Quarter Ended 6/30/80	Quarter Ended 9/30/80	Change	% Change
Residential	717,968	1,258,696	540,728	75.3
Commercial	612,265	820,951	208,686	34.1
Industrial	1,011,871	1,062,842	50,971	5.0
Sales for Resale	218,412	304,251	85,839	39.3
Other	78,296	96,915	18,619	23.8
Total	2,638,812	3,543,655	904,843	34.3

(2) Gas Sales (Thousands of Therms)

Classification	Quarter Ended 6/30/80	Quarter Ended 9/30/80	Change	% Change
Residential	13,665	4,827	(8,838)	(64.7)
Commercial	17,314	17,292	(22)	(0.1)
Industrial	82,395	69,644	(12,751)	(15.5)
Municipal	8,766	7,888	(878)	(10.0)
Total	122,140	99,651	(22,489)	(18.4)

(g) Operation and maintenance expenses, excluding taxes and depreciation, for the quarter ended September 30, 1980, showed an increase of $14.8 million over the preceding quarter ended June 30, 1980 as detailed below:

All Amounts Shown in Millions of Dollars	Quarter Ended 6/30/80	Quarter Ended 9/30/80	Change	% Change
Fuel Used in Electric Generation	$44.3	$ 74.3	$30.0	67.7
Net Purchased Power	3.2	(2.3)	(5.5)	*
Gas Purchased for Resale	28.2	21.3	(6.9)	(24.5)
Other Operation	15.0	12.6	(2.4)	(16.0)
Maintenance	7.6	7.2	(0.4)	(5.3)
Total	$98.3	$113.1	$14.8	15.1

*All percentages equal to 100 or more are not computed.

As shown above, fuel used in electric generation increased $30.0 million primarily due to an increase in the cost of fuel burned and increased consumption of energy by electric customers. Net purchased power decreased $5.5 million due to increased deliveries of electrical interchange power to other utilities of $7.0 million and increased purchased and interchange power received from other utilities of $1.5 million. Gas purchased for resale decreased $6.9 million due primarily to a decrease in consumption by gas customers and a decrease in the cost of gas from the Company's supplier. Other operation expense decreased $2.4 million primarily due to the transfer of the cost (approximately \$2.3 million) of electricity consumed for construction purposes at the Company's V. C. Summer Nuclear Station from operation expenses to construction expenses. Maintenance expenses decreased \$0.4 million due to a decrease in scheduled maintenance.

Comparison of Nine Months Ended September 30, 1980 with the Corresponding Period in 1979.

(h) Total operating revenues for the nine-months period ended September 30, 1980 increased \$82.4 million over the corresponding period in 1979. Revenues from the sale of electrical energy increased \$61.2 million, revenues from the sale of natural gas increased \$21.0 million and other revenues increased \$0.2 million. The increase in electric revenues was primarily attributable to (1) an electric rate increase that was placed into effect July 1, 1979 and approved by the South Carolina Public Service Commission ("PSC") on June 30, 1980 (see Note 2 of Notes to Consolidated Financial Statements), (2) an overall increase in consumption of energy by electric customers for heating and air-conditioning, and (3) the addition of approximately 6,700 residential customers. In comparing corresponding nine-months periods it should be noted that electric sales for the quarter ended March 31, 1979 were affected by two severe ice storms that interrupted electrical service in the Company's service area during February 1979. The increase in revenues from the sale of natural gas was primarily attributable to the recovery of the increased cost of gas from the Company's supplier, which is passed along to gas customers through the purchased gas adjustment clause, and to a gas rate increase placed in effect November 1, 1979, and approved by the PSC on December 31, 1979.

(i) (1) Electric Sales (Thousands of KWH)

Classification	9 Months Ended 9/30/79	9 Months Ended 9/30/80	Change	% Change
Residential	2,647,116	2,923,420	276,304	10.4
Commercial	1,985,382	2,066,181	80,799	4.1
Industrial	2,978,263	3,052,602	74,339	2.5
Sales for Resale	747,323	745,559	(1,764)	(0.2)
Other	243,173	250,931	7,758	3.2
Total	8,601,257	9,038,693	437,436	5.1

(2) Gas Sales (Thousands of Therms)

Classification	9 Months Ended 9/30/79	9 Months Ended 9/30/80	Change	% Change
Residential	78,792	77,342	(1,450)	(1.8)
Commercial	67,079	65,487	(1,592)	(2.4)
Industrial	233,897	209,317	(24,580)	(10.5)
Municipal	26,193	27,996	1,803	6.9
Total	405,961	380,142	(25,819)	(6.4)

(j) Operation and maintenance expenses, excluding taxes and depreciation, for the nine months ended September 30, 1980, showed an increase of $57.6 million over the corresponding period in 1979 as detailed below:

All Amounts Shown in Millions of Dollars	9 Months Ended 9/30/79	9 Months Ended 9/30/80	Change	% Change
Fuel Used in Electric Generation	$138.6	$165.3	$26.7	19.3
Net Purchased Power	(3.8)	2.3	6.1	*
Gas Purchased for Resale	75.2	89.5	14.3	19.0
Other Operation	35.7	41.9	6.2	17.4
Maintenance	17.2	21.5	4.3	25.0
Total	$262.9	$320.5	$57.6	21.9

*All percentages equal to 100 or more are not computed.

As shown above, fuel used in electric generation increased $26.7 million primarily due to an increase in the cost of fuel burned and increased consumption of energy by electric customers. Net purchased power increased $6.1 million due to increased purchased and interchange power received from other utilities of $14.3 million and increased deliveries of electrical interchange power to other utilities of $8.2 million. The increase in gas purchased for resale of $14.3 million is due to the increase in the cost of gas from the Company's supplier. Other operation and maintenance expenses combined increased $10.5 million. This increase can be primarily attributed to continued inflationary pressures on wages and material costs and increased maintenance activity.

(k) Exhibits

A. Quarterly Report for the Quarter Ended September 30, 1980 (Incorporated herein by reference).

EXHIBIT A

SOUTH CAROLINA ELECTRIC & GAS COMPANY

P. O. BOX 764, COLUMBIA, SOUTH CAROLINA 29218

QUARTERLY REPORT

3RD QUARTER

ENDED

SEPTEMBER 30, 1980

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED BALANCE SHEETS

September 30, 1980 and 1979

(Unaudited)

ASSETS

	1980	1979
UTILITY PLANT (including construction work in progress; 1980 — $630,058,936; 1979 — $538,683,280) (Notes 1, 3 and 4):		
Electric	$1,702,124,409	$1,568,695,571
Gas	141,414,575	135,940,961
Transportation (coach)	4,423,871	3,662,516
Common	15,541,197	14,602,590
Nuclear fuel	43,142,145	41,714,564
Total	1,906,646,197	1,764,616,202
Less accumulated depreciation and amortization	354,600,116	323,161,878
Utility Plant, net	1,552,046,081	1,441,454,324
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property (substantially at cost)	9,687,409	9,621,753
Investment in, notes receivable and advances to subsidiary (Note 1)	12,717,616	12,217,054
Other investments and special funds (at cost or less)	91,192	86,321
Total Other Property and Investments	22,496,217	21,925,128
CURRENT ASSETS:		
Cash	8,280,686	4,760,803
Temporary cash investments	2,750,000	250,000
Special deposits	20,594	28,643
Receivables	57,716,385	54,271,576
Materials and supplies (at average cost or less):		
Fuel	70,242,960	62,038,019
Other	7,743,778	6,717,678
Prepayments	6,793,279	4,072,478
Total Current Assets	153,547,682	132,139,197
DEFERRED DEBITS:		
Unamortized debt expense	4,900,844	4,612,242
Other	30,892,665	16,113,789
Total Deferred Debits	35,793,509	20,726,031
TOTAL	$1,763,883,489	$1,616,244,680

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED BALANCE SHEETS

September 30, 1980 and 1979

(Unaudited)

LIABILITIES

	1980	1979
STOCKHOLDERS' INVESTMENT (EXCLUDING PREFERRED STOCK SUBJECT TO PURCHASE OR SINKING FUNDS) (Note 5):		
Preferred stock (Not subject to purchase or sinking funds)	$ 26,261,700	$ 26,261,700
Common stock (Authorized 30,000,000 shares; Outstanding, 1980 — 25,865,629 shares; 1979 — 23,942,162 shares)	116,395,330	107,739,729
Premium on common stock	229,772,332	209,785,833
Other paid-in capital	4,310,985	4,243,848
Capital stock expense (debit)	(5,984,139)	(5,863,374)
Retained earnings:		
Unappropriated	134,974,039	126,084,033
Appropriated	411,401	411,401
Total Stockholders' Investment (Excluding Preferred Stock Subject to Purchase or Sinking Funds)	506,141,648	468,663,170
PREFERRED STOCK (SUBJECT TO PURCHASE OR SINKING FUNDS) (Note 6)	144,724,300	126,774,300
LONG-TERM DEBT (Notes 3 and 4):		
Principal amounts	714,481,645	661,738,120
Less unamortized discount and premium, net	938,977	1,010,718
Long-Term Debt, net	713,542,668	660,727,402
Total Capitalization	1,364,408,616	1,256,164,872
CURRENT LIABILITIES:		
Short-term borrowings:		
Banks	628,900	1,261,300
Other	2,242,789	15,298,745
Accounts payable and customer rate refunds (Note 2)	51,398,448	35,944,057
Customer deposits	6,130,029	6,059,873
Taxes accrued	21,947,508	14,467,634
Interest accrued	17,700,784	16,576,809
Dividends declared	14,496,641	13,136,286
Current portion of long-term debt (Note 3)	72,844,208	76,689,100
Tax collections payable	1,029,286	923,613
Other	1,049,226	1,632,579
Total Current Liabilities	189,467,819	181,989,996
DEFERRED CREDITS:		
Accumulated deferred investment tax credits (Note 1)	69,461,873	63,537,221
Accumulated deferred income taxes (Note 1)	121,382,400	110,480,100
Other	19,162,781	4,072,491
Total Deferred Credits	210,007,054	178,089,812
COMMITMENTS AND CONTINGENCIES (Note 7)		
TOTAL	$1,763,883,489	$1,616,244,680

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
For The Periods Ended September 30, 1980 and 1979
(Unaudited)

	3 Mos. Ended Sept. 30, 1980	3 Mos. Ended Sept. 30, 1979	9 Mos. Ended Sept. 30, 1980	9 Mos. Ended Sept. 30, 1979	12 Mos. Ended Sept. 30, 1980	12 Mos. Ended Sept. 30, 1979
OPERATING REVENUES (Notes 1 and 2):						
Electric	$151,022,976	$122,025,922	$361,871,049	$300,714,044	$462,437,808	$388,560,551
Gas	26,288,612	29,084,642	117,986,579	96,959,693	159,412,849	120,951,810
Transportation (coach)	609,231	554,334	1,753,298	1,555,987	2,343,830	2,073,697
Total Operating Revenues	177,920,819	151,664,898	481,610,926	399,229,724	624,194,487	511,586,058
OPERATING EXPENSES:						
Fuel used in electric generation	74,343,814	54,754,804	165,339,243	138,596,705	212,366,145	180,177,535
Power purchased, net (credit)	(2,267,166)	(1,697,779)	2,258,615	(3,876,285)	329,359	(3,347,928)
Gas purchased for resale	21,345,037	25,032,010	89,476,852	75,224,747	124,953,754	92,733,799
Other operation	12,593,319	12,120,094	41,881,985	35,706,758	55,255,571	46,009,718
Maintenance	7,201,284	5,940,738	21,495,483	17,213,621	28,970,770	22,873,819
Depreciation and amortization (Note 1)	9,274,100	8,916,600	27,703,964	26,798,764	36,349,364	35,152,764
Taxes (Note 1):						
Other than income	8,280,156	7,243,513	23,647,873	20,481,101	30,501,944	25,875,892
State income	1,841,800	1,038,400	3,836,600	2,239,700	4,459,700	2,930,700
Federal income	10,545,000	5,169,300	18,892,900	9,817,200	22,073,800	7,518,300
Provision for deferred income	8,338,400	5,773,500	18,652,100	13,046,200	22,395,693	17,074,031
Deferred taxes (credit)	(3,172,300)	(1,128,100)	(12,511,400)	(6,504,400)	(13,839,921)	(6,911,570)
Investment tax credit adjustments:						
Amount deferred	102,322	2,925,891	7,662,323	9,837,891	8,754,322	15,585,991
Amortization of amounts deferred (credit)	(267,106)	(271,014)	(880,701)	(804,903)	(1,150,855)	(1,001,792)
Total Operating Expenses	148,158,660	125,837,962	407,455,837	337,777,099	531,419,646	434,671,259
OPERATING INCOME	29,762,159	25,826,936	74,155,089	61,452,625	92,774,841	76,914,799
OTHER INCOME (Note 1):						
Allowance for equity funds used during construction	1,494,260	4,219,907	4,456,227	12,192,170	8,872,064	16,281,068
Income tax-credit	3,235,700	2,477,500	9,489,300	7,137,900	12,037,500	9,585,900
Other income, net, less income tax effects (debit)	(3,117)	313,397	100,321	377,130	385,004	745,623
Total Other Income	4,726,843	7,010,804	14,045,848	19,707,200	21,294,568	26,612,591
INCOME BEFORE INTEREST CHARGES	34,489,002	32,837,740	88,200,937	81,159,825	114,069,409	103,527,390
INTEREST CHARGES:						
Interest on long-term debt	17,008,730	15,130,814	50,762,103	43,464,721	66,074,369	57,188,801
Amortization of debt premium, discount and expense, net	152,651	143,757	448,143	447,594	596,280	604,501
Other interest expense	1,258,726	1,020,294	5,715,678	3,545,064	7,060,566	4,152,442
Allowance for borrowed funds used during construction (credit) (Note 1)	(6,646,797)	(3,325,408)	(20,232,470)	(9,413,623)	(23,734,420)	(12,329,053)
Total Interest Charges	11,773,310	12,969,457	36,693,454	38,043,756	49,996,795	49,616,691
NET INCOME	22,715,692	19,868,283	51,507,483	43,116,069	64,072,614	53,910,699
DIVIDENDS ON PREFERRED STOCK	3,245,041	3,080,578	9,353,497	9,243,060	12,425,435	11,924,394
EARNINGS AVAILABLE FOR COMMON STOCK	$ 19,470,651	$ 16,787,705	$ 42,153,986	$ 33,873,009	$ 51,647,179	$ 41,986,305
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,323,253	23,927,831	24,785,499	23,326,042	24,634,423	23,101,082
EARNINGS PER SHARE OF COMMON STOCK (WEIGHTED AVERAGE)	$ .77	$ .70	$1.70	$1.45	$2.10	$1.82
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ .435	$ .42	$1.305	$1.26	$1.725	$1.665

See notes to consolidated financial statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For The Periods Ended September 30, 1980 and 1979

(Unaudited)

	9 Months Ended Sept. 30,		12 Months Ended Sept. 30,	
UNAPPROPRIATED:	1980	1979	1980	1979
Balance at beginning of period (Note 2)	$125,415,384	$121,735,947	$126,084,033	$122,710,846
Add — Net income	51,507,483	43,116,069	64,072,614	53,910,699
Total	176,922,867	164,852,016	190,156,647	176,621,545
Deduct — Cash dividends declared:				
Preferred stock	9,353,497	9,243,060	12,425,435	11,924,394
Common stock	32,595,331	29,524,923	42,757,173	38,613,118
Total Deductions	41,948,828	38,767,983	55,182,608	50,537,512
Unappropriated retained earnings at end of period (Note 5)	134,974,039	126,084,033	134,974,039	126,084,033
APPROPRIATED:				
Balance at beginning of period	411,401	391,858	411,401	391,858
Current provision	—	19,543	—	19,543
Appropriated retained earnings at end of period	411,401	411,401	411,401	411,401
TOTAL RETAINED EARNINGS AT END OF PERIOD	$135,385,440	$126,495,434	$135,385,440	$126,495,434

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For The Periods Ended September 30, 1980 and 1979

(Unaudited)

	9 Months Ended Sept. 30,		12 Months Ended Sept. 30,	
WORKING CAPITAL PROVIDED:	1980	1979	1980	1979
Net income	$ 51,507,483	$ 43,116,069	$ 64,072,614	$ 53,910,699
Charges (credits) to income not providing or requiring working capital:				
Depreciation and amortizaion	27,703,964	26,798,764	36,349,364	35,152,764
Amortization of debt premium, discount and expense, net	448,143	447,594	596,280	604,501
Deferred income taxes, net	6,140,700	6,541,800	8,555,772	10,162,461
Investment tax credit, net	6,781,622	9,032,988	7,603,467	14,584,199
Allowance for funds used during construction (AFC)	(24,688,697)	(21,605,793)	(32,606,484)	(28,610,121)
Total from Operations	67,893,215	64,331,422	84,571,013	85,804,503
Sale of securities:				
Mortgage bonds, net	49,562,500	83,856,250	49,562,500	83,856,250
Preferred stock	20,000,000	15,000,000	20,000,000	35,000,000
Common stock	24,714,135	24,531,919	28,642,100	28,916,022
Issuance of unsecured note - bank	15,000,000	—	15,000,000	—
Issuance of secured notes - bank	80,000,000	—	80,000,000	—
Increase (decrease) in nuclear fuel liability, net	(596,000)	3,494,871	1,374,436	5,903,342
Increase in fossil fuel liability, net	20,480,000	—	20,480,000	—
Decrease in other non-current funds, net	—	—	1,751,416	—
Total Working Capital Provided	277,053,850	191,214,462	301,381,465	239,480,117
WORKING CAPITAL APPLIED:				
Utility plant additions (excluding AFC but including nuclear fuel)	82,275,914	84,664,952	115,607,936	118,651,452
Cash dividends declared:				
Preferred stock	9,353,497	9,243,060	12,425,435	11,924,394
Common stock	32,595,331	29,524,923	42,757,173	38,613,118
Reduction of long-term debt	124,299,543	69,224,839	114,039,170	70,243,611
Retirement of preferred stock	1,640,000	16,245,000	2,050,000	16,660,000
Increase in:				
Other property and investments	404,342	17,609	571,089	1,511,518
Other non-current funds, net	1,072,223	89,612	—	3,924,221
Total Working Capital Applied	251,640,850	209,009,995	287,450,803	261,528,314
INCREASE (DECREASE) IN WORKING CAPITAL	$ 25,413,000	$ (17,795,533)	$ 13,930,662	$ (22,048,197)
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT:				
Cash	$ 1,602,078	$ 743,308	$ 3,519,883	$ (4,604,517)
Temporary cash investments	2,600,000	250,000	2,500,000	(9,633,980)
Receivables	(2,681,458)	7,381,271	3,444,809	5,026,968
Materials and supplies	11,071,246	1,003,878	9,231,041	17,580,779
Short-term borrowings	33,283,370	(6,229,638)	13,688,356	(2,063,639)
Current portion of long-term debt	(7,354,525)	(28,686,455)	3,844,892	(28,096,239)
Accounts payable and accruals	(15,686,713)	6,221,862	(25,011,071)	(1,185,664)
Prepayments and special deposits	2,579,002	1,520,241	2,712,752	928,095
INCREASE (DECREASE) IN WORKING CAPITAL	$ 25,413,000	$ (17,795,533)	$ 13,930,662	$ (22,048,197)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

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 prescribed by the Federal Energy Regulatory Commission (FERC) and the South Carolina Public Service Commission (PSC).

B. Principles of Consolidation

The accounts of the Company's wholly-owned subsidiaries, South Carolina LNG Company, Inc. and South Carolina Fuel Company, Inc., are consolidated in the accompanying Consolidated Financial Statements.

The Company's investment in its wholly-owned subsidiary, Energy Subsidiary, Inc., is reported in the accompanying Consolidated Financial Statements using the equity method of accounting.

C. Utility Plant

Utility plant is stated at original cost. The cost 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 along with the cost of removal, less salvage, is charged to accumulated depreciation. The cost of repairs, replacements and renewals of items of property determined to be less than a unit of property is charged to maintenance expense.

D. Allowance for Funds Used During Construction

Allowance for funds used during construction (AFC), a non-cash item, reflects the cost for the period of capital devoted to plant under construction. This cost represents interest charges on borrowed funds and a reasonable rate of return on equity funds so used. 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. AFC is calculated using a 6.5% rate except for AFC related to nuclear fuel which is capitalized at the actual amount thereof. Effective January 1, 1980, the Company began allocating a greater amount of total AFC to the debt portion and a lesser amount to the equity portion. This change results from the Company using an AFC rate which is lower than the maximum allowable rate as calculated under FERC Order No. 561. Such change has no effect on total AFC.

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 3.02% and 3.05% for the twelve months ended September 30, 1980 and 1979, respectively.

F. Income Taxes

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

Income taxes are allocated to "Operating Expenses" and "Other Income." The income tax-credit under "Other Income" results from tax deductions related to interest expense arising principally from investments in construction work in progress.

Investment tax credits on eligible property as provided by the Revenue Act of 1971 and the Tax Reduction Act of 1975 are being amortized over the lives of the respective assets. The Company has approximately $10.2 million of unused 1979 investment tax credits available for carryover to future years.

The Company's Federal income tax returns have been examined through 1975.

G. Pension Plan

The Company has a pension plan covering all employees. Total pension contributions, including amortization of unfunded prior service cost, were approximately $5.3 million and $4.5 million for the twelve months ended September 30, 1980 and 1979, respectively. Unfunded prior service cost of approximately $4.5 million, based on the latest actuarial valuation effective January 1, 1980, is being amortized over twenty-year periods ending in 1997 and 1999.

The Company's policy is to fund pension costs accrued. There was an excess of approximately $12.0 million of vested benefits over total plan assets based on the latest actuarial valuation.

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 recorded in the month during which the gas is used rather than when the revenue is billed.

The Company collects projected fuel costs in base rates as established by the PSC during semi-annual hearings. Revenue attributable to any over or under collections is recorded currently as unbilled revenue with any resultant balance to be included during the next PSC hearing to consider any change in the fuel component of base rates.

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:

On June 30, 1980, the PSC granted an electric retail rate increase amounting to approximately $33.5 million annually or approximately 86% of the amount requested in an application by the Company filed June 1, 1979. The order also required refunds to the Company's electric retail customers of approximately $5.4 million ($2.6 million relating to 1979 revenues) plus interest. The Company made refunds to its customers during September 1980.

As a result of this order, previously reported operating results were restated as follows:

	Year Ended December 31, 1979		Quarter Ended March 31, 1980	
	Previously Reported	As Adjusted	Previously Reported	As Adjusted
	(Millions of dollars except per share amounts)			
Total electric operating revenues	$403.9	$401.3	$109.4	$107.6
Operating income	81.4	80.1	25.1	24.2
Net income	57.0	55.7	18.4	17.5
Earnings available for common stock	44.7	43.4	15.3	14.4
Earnings per share of common stock (weighted average)	1.90	1.84	.63	.59
Retained Earnings (Unappropriated)	126.7	125.4	131.5	129.2

Intervenors have appealed a PSC denial for rehearing to the South Carolina Circuit Court. The revenues (approximately $15.4 million and $41.9 million at December 31, 1979 and September 30, 1980, respectively) being collected subject to the PSC rate order may be subject to refund, in whole or in part, as a result of these appeals. Although the Company is unable to predict the outcome of such appeals, it believes that any resultant decisions will not have an adverse financial impact.

As a result of a prior rate case, the PSC had ordered a refund of approximately $7 million from net interchange sales of electricity to other utilities. The Company has appealed this ruling to the South Carolina Supreme Court. The $7 million refund was eliminated from 1977 revenues and recorded as a liability. An adverse determination of the Company's appeal would not have a negative effect on the Company's Consolidated Financial Statements.

3. LONG-TERM DEBT:

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
First and Refunding Mortgage Bonds:		
3% Series, due 1980	$ —	$ 22,200
3% Series A, due 1980	4,000	4,000
8.45% Series, due 1981	40,000	40,000
3¾% Series, due 1981	3,750	3,840
7% Series, due 1982	50,000	50,000
4⅛% Series, due 1983	2,620	2,680
9⅝% Series, due 1984	25,000	25,000
3½% Series, due 1985	3,425	3,500
5½% Series, due 1987	7,150	7,300
4⅝% Series, due 1988	10,000	10,000
10½% Series, due 1990	12,000	12,600
5% Series, due 1990	10,000	10,000
5% Series, due 1991	8,000	8,000
4⅞% Series, due 1995	16,000	16,000
5.45% Series, due 1996	15,000	15,000
6% Series, due 1997	15,000	15,000
6½% Series, due 1998	20,000	20,000
8% Series, due 1999	35,000	35,000
9⅛% Series, due 1999	15,000	15,000
8% Series, due 2001	35,000	35,000
7¼% Series, due 2002	30,000	30,000
9⅛% Series, due 2006	50,000	50,000
8.40% Series, due 2006	50,000	50,000
8⅜% Series, due 2007	30,000	30,000
8.90% Series, due 2008	30,000	30,000
10⅛% Series, due 2009	35,000	35,000
9⅞% Series, due 2009	50,000	50,000
12.15% Series, due 2010	50,000	—

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Pollution Control Facilities		
Revenue Bonds:		
4½% Series, prior to October 1, 1979, thereafter 70% of applicable prime rate until October 1, 1983 and 75% of such prime rate until maturity, due 1987	5,155	5,155
5.95% Series, due 2003	7,500	7,500
First Mortgage Bonds:		
4% Series, due 1981	—	362
5% Consolidated Mortgage Gold Bonds, due 1999 (non-callable)	1,054	1,063
Unsecured Notes — Banks, with interest not to exceed 7.625% through March 1980. Due $30 million in 1980 and $15 million in 1981 with interest at prime rate plus ½ of 1%	15,000	45,000
Term bank loan with interest based on greater of Chase prime rate or one percent above the rates of certificates of deposits of major U.S. money market banks, due 1983	30,000	—
First Mortgage Bonds — South Carolina LNG Co., Inc., 10½% Series, due 1990	9,430	10,120
South Carolina Fuel Company, Inc (See Note 4):		
Nuclear fuel liability (Sept. 30, 1979, Nuclear Fuel Trust)	43,089	41,715
Fossil fuel liability	20,480	—
Capitalized lease obligations — vehicles	3,673	2,393
Total	787,326	738,428
Less current portion of long-term debt	72,844	76,689
Total	$714,482	$661,739

The Company has issued and pledged $30 million First and Refunding Mortgage Bonds, 14½% Series due April 1, 1983 as collateral for the $30 million term loan of Chase Manhattan Bank, N.A. Under the terms of a Credit and Security Agreement (the Agreement) interest on such bonds is applied to the payment of interest on the term loan as long as the term loan is not in default, with any excess interest being returned to the Company. The Agreement also provides that the Bonds will be retired in principal amounts corresponding with and equal to payments on the term loan.

Substantially all utility plant is mortgaged in connection with the various issues of long-term debt. Approximately $7.6 million of the current portion of long-term debt at September 30, 1980 may be satisfied by deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits.

4. FUEL FINANCINGS:

The Company assigned to South Carolina Fuel Company, Inc., a wholly-owned subsidiary, all of its rights and interests in its various contracts relating to the acquisition and ownership of nuclear fuel during 1979 and fossil fuel in July 1980. The subsidiary finances these investments through the issuance of short-term commercial paper supported by irrevocable bank lines of credit. The agreements provide for maximum amounts that may be outstanding at any time.

	Outstanding at Sept. 30, 1980	Maximum Outstanding at Any time
	(000)	(000)
Nuclear Fuel	$43,089	$50,000
Fossil Fuel	20,480	30,000

Due to the irrevocable lines of credit supporting the commercial paper borrowings, the amounts outstanding have been included in long-term debt. Certain September 30, 1979 amounts relating to nuclear fuel have been reclassified to conform to current classifications.

5. STOCKHOLDERS' INVESTMENT (EXCLUDING PREFERRED STOCK — SUBJECT TO PURCHASE OR SINKING FUNDS):

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Preferred Stock:		
Cumulative $100 par value:		
8.40% Series (Authorized and Outstanding 200,000 shares)	$ 20,000	$ 20,000
Cumulative $50 par value:		
5% Series (Authorized and Outstanding 125,234 shares)	6,262	6,262
Total	$ 26,262	$ 26,262

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Common Stock:		
$4.50 par value; Authorized 30,000,000 shares; Outstanding, 1980 — 25,865,629 shares; 1979 — 23,942,162 shares	$116,395	$107,740

Increases in "Premium on common stock" for the twelve months ended September 30, 1980 ($20.0 million) and September 30, 1979 ($21.1 million) represent the premium on issuance of 1,923,467 and 1,746,111 shares of stock, respectively.

The increase in "Other paid-in capital" for the twelve months ended September 30, 1980 ($67 thousand) results from a net gain due to the reacquisition and retirement of 33,600 shares of preferred stock through purchase funds or sinking funds. The increase for the twelve months ended September 30, 1979 ($46 thousand) consists of gain on the reacquisition of 6,800 shares of preferred stock.

Increases in "Capital stock expense" for the twelve months ended September 30, 1980 ($121 thousand) and September 30, 1979 ($573 thousand) represent expenses in connection with the issuance of common stock ($4 thousand and $134 thousand for the twelve months ended September 30, 1980 and 1979, respectively) and preferred stock ($208 thousand and $467 thousand for the twelve months ended September 30, 1980 and 1979, respectively) less $91 thousand and $28 thousand for the twelve months ended September 30, 1980 and 1979, respectively, due to retirement of preferred stock through purchase funds or sinking funds.

The Restated Articles of Incorporation of the Company and the indentures underlying certain bond issues contain certain provisions that limit the payment of cash dividends on common stock. The most restrictive of these provisions would have permitted the payment of approximately $118.7 million and $119.4 million of cash dividends on common stock at September 30, 1980 and 1979, respectively.

6. PREFERRED STOCK (SUBJECT TO PURCHASE OR SINKING FUNDS):

	Sept. 30, 1980	Sept. 30, 1979
	(Thousands of Dollars)	
Cumulative $100 par value; Authorized 1,550,000 shares:		
7.70% Series (Outstanding, 1980 — 132,000 shares; 1979 — 135,000 shares)	$ 13,200	$ 13,500
8.12% Series (Outstanding, 1980 — 189,200 shares; 1979 — 193,600 shares)	18,920	19,360
10¾% Series (Outstanding 200,000 shares)	20,000	20,000
11.08% Series (Outstanding 200,000 shares)	20,000	—
Cumulative $50 par value; Authorized, 1980 — 1,806,486 shares; 1979 — 1,819,186 shares:		
4.50% Series (Outstanding, 1980 — 41,600 shares; 1979 — 43,200 shares)	2,080	2,160
4.60% Series (Outstanding, 1980 — 24,834 shares; 1979 — 26,334 shares)	1,242	1,317
4.60% Series A (Outstanding, 1980 — 56,052 shares; 1979 — 58,052 shares)	2,802	2,902
4.60% Series B (Outstanding, 1980 — 125,800 shares; 1979 — 129,200 shares)	6,290	6,460
5.125% Series (Outstanding, 1980 — 87,000 shares; 1979 — 88,000 shares)	4,350	4,400
6% Series (Outstanding, 1980 — 131,200 shares; 1979 — 134,400 shares)	6,560	[illegible]20
8% Series (Outstanding 300,000 shares)	15,000	[illegible]00
8.72% Series (Outstanding 400,000 shares)	20,000	20,000
9.40% Series (Outstanding, 1980 — 285,600 shares; 1979 — 299,100 shares)	14,280	14,955
Cumulative $25 par value; Authorized 2,000,000 shares: Outstanding — None	—	—
Total	$144,724	$126,774

The call premium of the respective series of preferred stock in no case exceeds the amount of the annual dividend.

The amount of purchase fund and sinking fund requirements for preferred stock for the succeeding twelve months was approximately $1.7 million at September 30, 1980.

The increase (decrease) in "Preferred Stock (Subject to Purchase or Sinking Funds)" outstanding for the twelve months ended September 30, 1980 and 1979 is summarized as follows:

	12 Months Ended			
	Sept. 30, 1980		Sept. 30, 1979	
	Number of Shares	Thousands of Dollars	Number of Shares	Thousands of Dollars
Issued:				
$100 par value	200,000	$20,000	—	$ —
$ 50 par value	—	—	700,000	35,000
Redeemed:				
$100 par value	(7,400)	(740)	(156,800)	(15,680)
$ 50 par value	(26,200)	(1,310)	(19,600)	(980)
Total	166,400	$17,950	523,600	$18,340

7. COMMITMENTS AND CONTINGENCIES:

A. Construction

In addition to routine commitments of approximately $16.5 million for operating materials and supplies, the Company at September 30, 1980 had commitments for major construction (including nuclear fuel) of approximately $360.1 million (includes one-third interest of South Carolina Public Service Authority) for construction of the 900 megawatt V.C. Summer Nuclear Station.

The Company and the South Carolina Public Service Authority (a public corporation of the State of South Carolina) have contracted to become joint owners at the V.C. Summer Nuclear Station on the basis of two-thirds by the Company and one-third by the Authority and to participate, on a like basis, in the costs of construction, costs of operation and in the energy output thereof. The Company's share (approximately $532.2 million and $439.5 million at September 30, 1980 and 1979, respectively) of costs of construction of the nuclear station is included in construction work in progress. Each owner is responsible for financing its own share of the nuclear station.

The Company has made a timely application and has been taking all steps possible to expedite the licensing process for an operating license for the V.C. Summer Nuclear Station. The Nuclear Regulatory Commission (NRC) has granted a petition to a third party to intervene. Construction and pre-operation testing will be substantially completed by the end of the first quarter of 1981 with commercial operation now estimated December 1981. Current delays by NRC in processing the licensing application and scheduling the hearings may delay the date for issuance of the operating license which could result in further delay in the date of commercial operation into the first half of 1982.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONSOLIDATED SYSTEM STATISTICS

	9 Months Ended Sept. 30,		12 Months Ended Sept. 30,		Calendar Year	
	1980	1979	1980	1979	1979	1969
ELECTRIC DEPARTMENT:						
Produced and Purchased—(Million of KWH):						
Steam	8,937	8,670	11,654	11,372	11,387	6,705
Internal combustion turbine	89	49	95	52	55	82
Hydro	859	772	1,102	876	1,016	533
Energy (credit) pumped storage plant	(641)	(455)	(810)	(526)	(625)	—
Purchased and interchange, net (credit)	488	30	515	69	57	307
Total output	9,732	9,066	12,556	11,843	11,890	7,627
Sales—(Million of KWH):						
Residential	2,923	2,647	3,656	3,341	3,380	1,972
Commercial	2,066	1,986	2,663	2,579	2,582	1,286
Industrial	3,053	2,978	4,080	3,949	4,006	2,361
Miscellaneous	251	243	326	316	318	136
Total ultimate consumers	8,293	7,854	10,725	10,185	10,286	5,755
Sales for resale	746	747	964	1,050	966	1,348
Total sales	9,039	8,601	11,689	11,235	11,252	7,103
Total Customers (End of Period)	—	—	341,999	334,594	336,700	250,249
Residential Service—Per Customer:						
Average annual energy use—KWH	—	—	12,358	11,563	11,627	9,163
Average annual rate (Cents per KWH)	—	—	4.96	4.52	4.64	1.89
Generating Capability, Net KW (000):						
Steam	—	—	2,326	2,402	2,326	1,145
Internal combustion turbine	—	—	277	249	277	158
Hydro	—	—	756	756	756	185
Peak Demand, Net KW—System (000)	3,574	2,965	3,574	2,965	2,965	1,516
Peak Demand, Net KW—Territorial (000)	2,489	2,299	2,489	2,299	2,299	1,290
GAS DEPARTMENT:						
Produced and Purchased for Resale—(Thousand Therms)	385,433	415,774	545,689	560,580	576,030	404,643
Sales—(Thousand Therms):						
Residential	77,342	78,792	101,152	98,064	102,602	90,829
Commercial	65,487	67,079	86,144	85,329	87,737	61,965
Industrial	209,317	233,897	294,453	311,374	319,033	188,569
Sales for resale	27,996	26,193	37,818	35,228	36,015	25,180
Total sales	380,142	405,961	519,567	529,995	545,387	366,543
Total Customers (End of Period)	—	—	162,608	160,911	164,277	120,641

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

The staff of the Nuclear Regulatory Commission ("NRC") and the Attorney General of the United States have filed comments with the NRC in accordance with the NRC Memorandum and Order dated June 30, 1980 requesting advice and the recommendation of the Attorney General of the United States as to whether the NRC should hold a hearing on antitrust matters in connection with the issuance of an operating license for Summer Nuclear Station. The Company, its co-owner, South Carolina Public Service Authority ("Authority") and Central Electric Power Cooperative, Inc. ("Central"), the Petitioner before the NRC in this matter, also have filed comments and additional information, which among other things have disclosed current negotiations between the Authority and Central with respect to power supply contracts and joint ownership of future generating plants. The NRC staff indicated that developments since the original antitrust review in 1972 appear to have been pro-competitive. On October 10, 1980 the Attorney General declined to provide the NRC its "tentative views on whether a hearing would be required" until such time as the NRC makes a determination whether "significant changes" have occurred in the current or proposed competitive activities of the Company and its co-owner, South Carolina Public Service Authority. The Company will request that NRC postpone issuance of further Orders until after December 31, 1980 when the parties have filed reports on the current factual status of the negotiations between the Authority and Central and of any matters affecting the competitive situation of the Company, the Authority and Central. It is not possible to predict whether the NRC ultimately will determine that an antitrust hearing is necessary or whether additional antitrust license conditions will be imposed. The Company does not believe that a hearing solely involving Central would result in any delay in the issuance of the operating license. Central's Petition to NRC states that it does not intend to delay issuance of the operating license because it is "dependent on [the Authority] for almost all of its power supply and would suffer serious injury if there would be any delay in granting an operating license for said Summer Unit." Nevertheless, an Order by the NRC ordering an antitrust review could result in opening the proceeding to intervention by other persons, which could cause delay in issuance of the operating license.

Items 2 to 4, inclusive, are not applicable.

Item 5. Increase in Amount Outstanding of Securities or Indebtedness

I. (a)-(b) On July 23, 1980 the Board of Directors of the Company approved in principle the issuance and sale of 1,000,000 additional shares of its Common Stock ($4.50 par value). The number of shares of Common Stock last reported outstanding was 24,661,584 shares and as of September 30, 1980 the number of shares outstanding was 25,865,629. Such 1,000,000 additional shares were issued on August 19, 1980.

The aggregate net proceeds from the Company's offering and sale of 1,000,000 additional shares of its Common Stock ($4.50 par value) was approximately $15,220,000, before deduction of expenses estimated at $100,000.

(c) The names of the principal underwriters, none of which are affiliates of the Company, are as follows:

Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
The First Boston Corporation
Bear, Stearns & Co.
Blyth Eastman Paine Webber Incorporated
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Goldman, Sachs & Co.
E. F. Hutton & Company Inc.
Lazard Freres & Co.
Lehman Brothers Kuhn Loeb Incorporated
Merrill Lynch, Pierce, Fenner & Smith Incorporated
L. F. Rothschild, Unterberg, Towbin
Salomon Brothers
Shearson Loeb Rhoades Inc.
Smith Barney, Harris Upham & Co. Incorporated
Warburg Paribas Becker Incorporated
Wertheim & Co., Inc.
Dean Witter Reynolds Inc.
The Robinson-Humphrey Company, Inc.
ABD Securities Corporation
Advest, Inc.
Atlantic Capital Corporation
Basle Securities Corporation
J. C. Bradford & Co., Incorporated
Alex. Brown & Sons
A. G. Edwards & Sons, Inc.
EuroPartners Securities Corporation
Interstate Securities Corporation
Johnson, Lane, Space, Smith & Co., Inc.
Moseley, Hallgarten, Estabrook & Weeden Inc.
New Court Securities Corporation
Nomura Securities International, Inc.
Oppenheimer & Co., Inc.
Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc.
Wheat, First Securities, Inc.
Arnhold and S. Bleichroeder, Inc.
Bacon, Whipple & Co.
Robert W. Baird & Co. Incorporated
Bateman Eichler, Hill Richards Incorporated
William Blair & Company
Blunt Ellis & Loewi Incorporated
Boettcher & Company
Butcher & Singer Inc.
Dain Bosworth Incorporated
Eppler, Guerin & Turner, Inc.
Fahnestock & Co.
First of Michigan Corporation.
Gruntal & Co.
Investment Corporation of Virginia
Janney Montgomery Scott Inc.
Josephthal & Co. Incorporated
Legg Mason Wood Walker, Incorporated
McDonald & Company
The Ohio Company
Philips, Appel & Walden, Inc.
Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben
W. H. Reaves & Co., Inc.

Rotan Mosle Inc.
Sutro & Co. Incorporated
Anderson & Strudwick, Incorporated
Baker, Watts & Co.
Birr, Wilson & Co., Inc.
Burgess & Leith Incorporated
Carolina Securities Corporation
The Chicago Corporation
R. G. Dickinson & Co.
Doft & Co., Inc.
Ferris & Company, Incorporated
First Albany Corporation
Gradison & Company Incorporated
J. J. B. Hilliard, W. L. Lyons, Inc.
Howard, Weil, Labouisse, Friedrichs Incorporated
Edward D. Jones & Co.
Moore & Schley, Cameron & Co.
Morgan, Keegan & Company, Inc.
Parker/Hunter, Incorporated
R. Rowland & Co., Incorporated
Scott & Stringfellow, Inc.
Wagenseller & Durst, Inc.
D. H. Blair & Co., Inc.
Craigie Incorporated
Equitable Securities Corporation
Galleher & Company, Inc.
Herzfeld & Stern
Kormendi, Byrd Brothers, Inc.
Means Investment Company
Raffensperger, Hughes & Co., Inc.

(d) The approximately $15,120,000 estimated net proceeds from the sale of 1,000,000 additional shares of Common Stock ($4.50 par value) were used to retire a like amount of the Company's short-term indebtedness.

(e) These securities are registered under the Securities Act of 1933, as amended.

II. (a)-(b) On June 25, 1980 the Board of Directors of the Company approved in principle the issuance and sale of 200,000 shares of Cumulative Preferred Stock, par value $100 per share. Such 200,000 shares of Cumulative Preferred Stock, par value $100 per share, were issued and sold at a dividend rate of 11.08% on August 28, 1980. The amount of this class of Preferred Stock (par value $50 per share or $100 per share having a periodic sinking fund) last reported outstanding was $101,437,100 (985,600 shares $50 par value and 521,571 shares $100 par value) and as of September 30, 1980 such amount outstanding was $121,400,000 (985,600 shares of $50 par value and 721,200 shares $100 par value).

The aggregate net proceeds from the Company's offering and sale of 200,000 shares of 11.08% Cumulative Preferred Stock, par value $100 per share, was approximately $19,780,000, before deduction of expenses estimated at $100,000.

(c) The names of the principal underwriters, none of which are affiliates of the Company, are as follows:

Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
The First Boston Corporation
Bear, Stearns & Co.
Blyth Eastman Paine Webber Incorporated
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Goldman, Sachs & Co.
E. F. Hutton & Company Inc.

Lehman Brothers Kuhn Loeb Incorporated
Merrill Lynch, Pierce, Fenner & Smith Incorporated
L. F. Rothschild, Unterberg, Towbin
Salomon Brothers
Shearson Loeb Rhoades Inc.
Smith Barney, Harris Upham & Co. Incorporated
Warburg Paribas Becker Incorporated
Dean Witter Reynolds Inc.
J. C. Bradford & Co.
Alex. Brown & Sons
Moseley, Hallgarten, Estabrook & Weeden Inc.
Oppenheimer & Co., Inc.
The Robinson-Humphrey Company, Inc.
Thomson McKinnon Securities Inc.
Robert W. Baird & Co. Incorporated
Interstate Securities Corporation
Johnson, Lane, Space, Smith & Co., Inc.
McDonald & Company
Wheat, First Securities, Inc.
Craigie Incorporated
First Southwest Company

(d) The approximately $19,680,000 estimated net proceeds from the sale of 200,000 shares of 11.08% Cumulative Preferred Stock, par value $100 per share, were used to retire a like amount of the Company's short-term indebtedness.

(e) These securities are registered under the Securities Act of 1933, as amended.

Items 6 to 7, inclusive, are not applicable.

Item 8. Other Materially Important Events

A. Construction

The Company estimates that construction and pre-operation testing of Summer Nuclear Station will be subtantially completed by the end of the first quarter of 1981. The Company cannot load fuel prior to issuance of an operating license. After fuel loading approximately six months are required for start-up testing, power ascension testing, and compliance with regulatory procedures and other matters before the commencement of commercial operation.

On this basis, the Company estimates the date of commercial operation to be December 1981. Current delays by NRC in processing the license application and in scheduling the hearings have impeded the progress of the licensing procedure and may delay the date for issuance of the operating license to the latter part of 1981 and, accordingly, the date of commercial operation to the first half of 1982. Such delay could further increase construction costs by approximately one (1%) percent a month. The Company is making every effort to expedite the licensing process. It has met with the senior staff of NRC and has requested that NRC take necessary action to complete processing of the license application and to schedule hearings so that an operating license can be issued in time to attain commercial operation of the station by December 1981.

The Company is in the process of revising its construction estimates based on the previous discussion. Assuming a December, 1981 commercial operation date, it is estimated that costs of construction could increase by some twelve (12%) to fourteen (14%) percent over the February, 1980 estimate of approximately $827 million. For every month of additional delay costs could increase by approximately 1% per month.

B. Environmental

Under regulations recently promulgated pursuant to the Solid Waste Disposal Act, the Company was required to file a Notification of Hazardous Waste Activity with the Environmental Protection Agency ("EPA") by August 18, 1980 for each installation at which certain substances defined in such regulations as "hazardous wastes" are stored. On August 18, 1980, the Company filed notifications with the EPA indicating that there might be cresols, tars and other residues which the Company believed might contain cresols, substances defined as "hazardous wastes" under such regulations, located in Charleston and Columbia at the sites of the Company's two discontinued coal gas manufacturing plants. As required by such regulations, within 90 days of filing such notifications, the Company was required either to determine that there were no hazardous wastes in storage or to propose a plan for the disposal or containment of such wastes and apply for a permit for authority to carry out such plan. After investigation the Company concluded that the amount of such wastes, if any, was minimal. With the approval of South Carolina Department of Health and Environmental Control ("DHEC") and with the concurrence of EPA the Company has adopted and carried out a plan providing for containment of wastes on the two sites. No formal permit was required by either EPA or DHEC. In Charleston the Company has been authorized to construct a substation on the site on the condition that the construction not involve excavation or a change in the contour of the soil. In Columbia the Company has been authorized to close the site by placing clay and a concrete slab over it. The total cost of construction for the Columbia site was approximately $1,800. The Company believes that it has substantially satisfied the requirements of the regulations.

The Sierra Club Legal Defense Fund ("Sierra Club") has notified the Company by letter dated September 17, 1980 that the Company's operations of its coal-fired Canadys Station and oil-fired Williams Station have been in violation of the South Carolina Air Quality Implementation Plan ("SIP") at all times since May 31, 1975. By letter dated September 23, 1980 DHEC advised the Sierra Club and EPA that DHEC does not consider such sources to have been in violation since May 31, 1975 and considered them to be in compliance with the SIP on the date of such letter. Under the Clean Air Act, as amended, the giving of such notice by the Sierra Club is a condition precedent to the commencement of an action by it for enforcement. (No such action could be commenced prior to November 30, 1980.) The Company cannot predict whether the Sierra Club will commence an action for enforcement, whether EPA will institute enforcement proceedings or whether any penalties will be assessed. Such penalties, if assessed, could be substantial.

As previously reported on page 22 of its Form 10-K for 1979, the Company is operating its oil-fired Williams Station under an operating permit issued by DHEC on September 4, 1979 that includes a requested variance from SIP particulate emission and visual opacity standards as then in effect. On October 1, 1980 EPA notified DHEC and the Company that it does not recognize such variance as valid because it was not specifically incorporated into the SIP and approved by EPA as a part of a revision of the SIP. DHEC contends that its grant of the variance was valid because the SIP authorizes the granting of such variances by it. The Company cannot predict whether, or how, the disagreement between EPA and DHEC over the validity of the variance will be resolved, or whether the Company may be subjected to enforcement proceedings for noncompliance with the visual opacity standards of the SIP if such variance is ultimately found to be invalid.

As a part of the Company's continuing compliance program, on September 15, 1980, the Company completed the changing of fuel nozzles at Williams Station in order to reduce excursions from SIP standards on particulate matter. On October 1, 1980 a test was performed, which indicated that the discharge of particulate matter had been reduced and remained within the standards of the SIP. The in-stack monitor indicated that there had also been a reduction in opacity. However, due to rainy weather it was not posssible to determine whether visual opacity standards were met by the plume discharging from the stack. Williams Station was taken out of service for scheduled maintenance on October 2, 1980 and will not return to service until December 1980. Accordingly, the Company presently cannot determine whether Williams Station upon its return to service will meet visual opacity standards without the benefit of the variance granted by DHEC, which is the subject of dispute with EPA, or whether the changed fuel nozzles will eliminate excursions from standards on particulate matter consistent with good air pollution control practices for minimizing emissions.

Also, as a part of the Company's continuing compliance program, it has scheduled additional maintenance and modifications of the electrostatic precipitator units at Canadys Station. Units 1 and 3 will be rebuilt and modified. Work is scheduled to be performed on Unit 1 during the period of October 17 through December 15, 1980, and on Unit 3 during the period of March 6, 1981 through April 26, 1981. Unit 2 is being modified during the period from September 26, 1980 through November 3, 1980 to prevent internal structural failure. The electrostatic precipitator at the Company's Wateree Station, Unit No. 2, is being modified and its plates are being realigned. Construction is expected to be completed by November 30, 1980.

If EPA does not concur in the variance for Williams Station, or if the measures referred to above are not sufficient to maintain substantial compliance with the particulate and opacity standards under the SIP, then a change in quality of fuels (if available) or the retrofitting of other devices may be required, including installation of flue gas treatment devices, additional electrostatic precipitators, or installation of other devices. The cost is not presently determinable, but it could be substantial.

On August 28, 1980 with the concurrence of EPA, DHEC amended the SIP to allow for a variance from opacity standards relating to particulate matter and visual opacity during periods of start-up and shutdown of a plant subject to the requirement that the operator of a plant shall "to the extent practicable, maintain and operate any facility including associated air pollution control equipment in a manner consistent with good air pollution control practices for minimizing emissions." The Company believes that its operations comply with this new standard.

The Company's emissions permits under the SIP at its coal-fired Urquhart Station expired effective March 31, 1980. The Company has applied to DHEC for new permits to become effective as of April 1, 1980. The Company has continued to operate under the terms of the expired permits pending issuance of the new permits and it does not expect that the new permits will contain terms materially different from the expired permits.

C. Financing

(1) On July 31, 1980 a wholly-owned subsidiary of the Company incurred additional long-term indebtedness in the amount of $20,000,000 in connection with a fossil fuel financing arrangement whereby the Company sold most of its inventory of fossil fuel to the subsidiary for $20,000,000 in cash (used to reduce short-term indebtedness) and receivables. The subsidiary obtained the cash through secured revolving credit loans from Bank of America National Trust and Savings Association and Bankers Trust Company. Such long-term borrowing was effected pursuant to a credit agreement which also provides for the issuance, subject to certain conditions including the obtaining of specified ratings thereof by rating agencies (which were received during August and September 1980), of up to $30,000,000 at any one time outstanding of commercial paper secured by fossil fuel and backed by irrevocable bank lines of credit, with provision for substituting similarly secured revolving bank loans for all or part of the commercial paper. On September 30, 1980 the subsidiary issued $20,480,000 of such commercial paper, the proceeds of which were used to retire the $20,000,000 of long-term indebtedness incurred on July 31, 1980.

(2) On October 24, 1980, the Company filed an application with the Federal Energy Regulatory Commission (FERC) pursuant to Section 204(a) of the Federal Power Act seeking authority to

issue up to $125 million unsecured promissory notes or commercial paper, with maturity dates of twelve months or less, but not later than December 31, 1982. In a previous application filed with the FERC on October 26, 1979, the Company was granted the authority to issue $120 million of such short-term indebtedness with maturity dates not later than December 31, 1981.

D. Rate Matters

On October 21, 1980, the semi-annual hearing was held by the Public Service Commission ("PSC") to determine if any adjustments were necessary in the fuel component in electric base rates. By an order dated October 30, 1980 the PSC increased the fuel component in electric base rates from 1.900 cents per KWH (as previously approved by an order dated April 30, 1980) to 1.950 cents per KWH effective with bills rendered on or after November 1, 1980. The next hearing with respect to the fuel component in electric base rates will be held in April, 1981.

Item 9. Exhibits and Reports

A. Exhibits

None

B. Reports

There were no reportable events during the current quarter that required a Form 8-K to be filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
(Registrant)

/s/ R. W. Stedman
R. W. Stedman
Controller

November 12, 1980

5.b. Describe updated aspects of the company's regulatory environment including, but not necessarily limited to, the following: test year utilized (describe nature and timing); prescribed treatment of allowance for funds used during construction and of construction work in progress (indicate percentage and amount included in rate base); form of rate base (original cost, fair value, other (describe)); accounting for deferred income taxes and investment tax credits; and fuel adjustment clauses in effect or proposed.

RESPONSE

Test Period: Historical; latest 12 month period for which data is available; some post test period adjustments allowed.

Rate Base: End of period original cost; period end construction work in progress (100%) in rate base with the allowance for funds used during construction generated, in the test period, by such construction included in operating return.

Accounting: Normalization utilized for tax timing differences; Investment tax credits normalized and amortized over life of property.

Fuel Adjustment Clauses:

Retail - Fuel component in rates is set by the Commission, after hearing, based on projected fuel cost.

Wholesales - As prescribed by Part 35.14 of the Regulations under the Federal Power Act.

5.c. Describe the nature and amount of the Company's most recent rate relief action and the anticipated effect on revenues. In addition, indicate the nature, status, and amount of any pending rate relief proceedings, if any. Use the attached form to provide this information. Provide copies of the hearing examiner's report and recommendation and the interim and final rate orders and opinions, including all exhibits referred to therein. Provide copies of the submitted, financially-related testimony and exhibits of the staff and company in the most recent rate relief action of pending rate relief request.

RESPONSE

RATE DEVELOPMENTS

Granted	Electric (1)	Gas
Test year utilized	Mar.31, 1979	Mar. 31, 1979
Annual amount of revenue increase requested-test year basis (000's)	$38,981	$6,749
Date petition filed	June 1, 1979	Aug. 31, 1979(2
Annual amount of revenue increase allowed-test year basis (000's)	$33,546	$6,425
Percentage increase in revenues allowed	9.27%	5.75%
Date of final order	June 30, 1980	Dec. 31, 1979
Effective date	July 1, 1979	Nov. 1, 1979
Rate base finding (000's)	$1,162,436	$87,116
Construction work in progress included in Rate base (000's)	$382,757	$592
Rate of return on rate base authorized	9.65%	9.56%
Rate of return on common equity authorized	13.00%	12.75%
Revenue Effected (000's)		
Amount received in year granted	$31,835 (3)	1,125 Est.
Amount received in subsequent year (If not available, annualize amounts received in year granted.)	$34,804 (4)	6,425 Est.
Pending Requests	None	None

(1) Applicable to S. C. Retail operations only
(2) Original petition filed June 1, 1979, Amended petition filed August 31, 1979
(3) 12 months ended June 30, 1980
(4) 12 months ended November 30, 1980