Energy *for success*

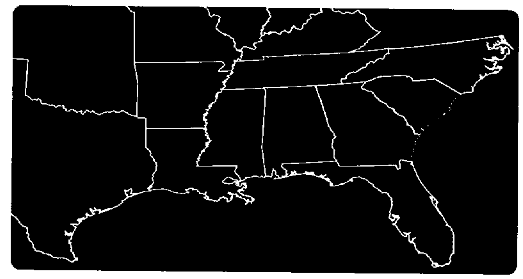
SCANA Corporation

1999 Annual Report

SCANA®
POWER FOR LIVING®

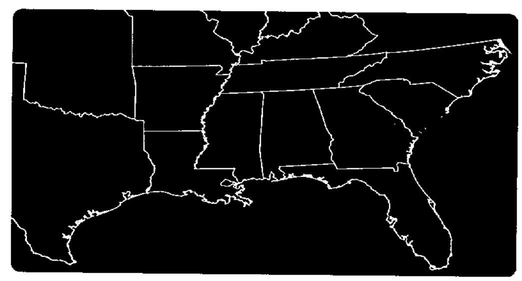
NATURAL GAS RETAIL SALES

SCANA is one of the largest natural gas suppliers in the Southeast with more than 1 million customers across three states.



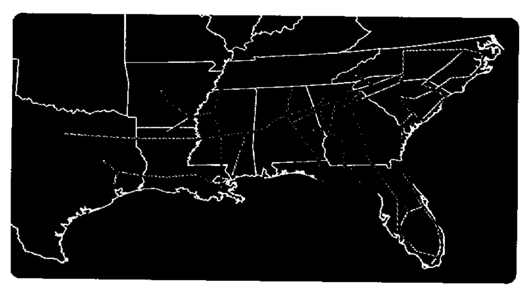
ELECTRIC GENERATION AND RETAIL SALES

SCANA's electric generation and distribution systems are among the most efficient and reliable in the US, serving more than 525,000 customers in South Carolina.



TELECOMMUNICATIONS OPERATIONS AND INVESTMENTS

SCANA has substantial investments in fiber optic as well as wireless communications spanning twelve states throughout the region, and other operating telecommunications businesses.



CONTENTS

Energy *for success*

It takes energy and great people to be successful. At SCANA we embrace energy for success. Success in each customer's service and satisfaction. Success in power generation and the transportation and delivery of natural gas. Success in telecommunications operations and investments.

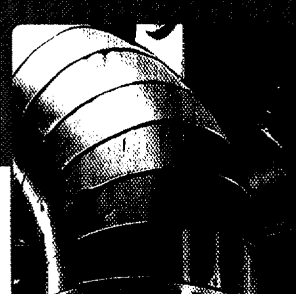
FACT

SCANA's mission is to be the best provider of customer-driven energy and telecommunications products and services in the Southeast

Blending diverse energies and people into a single driving force is how SCANA is fulfilling our mission as the best provider of customer-driven energy and telecommunications products and services in the Southeast.

With $6.5 billion in assets, we provide these products and services to more than a million natural gas customers in North Carolina, South Carolina and Georgia; to more than half a million electric customers in South Carolina; and to hundreds of thousands of homes and businesses throughout the Southeast through our telecommunications operations and investments.

It takes energy and great people to be successful. And energy for success is what SCANA is all about.



Fellow Shareholders

Welcome to SCANA Corporation's 1999 Annual Report. The abundant energy of our talented employees, combined with the strong mix of our energy assets, allows SCANA to successfully pursue a strategy of profitable growth throughout the Southeast. This growth is led by our goal of creating value for our customers and our shareholders.

Value is measured in many ways. I hope you enjoy reading later in this report about our successes during 1999. But I would like to direct your attention to how others measured our level of quality and success in independent assessments during 1999:

FACTS

Ranked Number 1 among southern electric utilities in residential customer satisfaction by J.D. Power and Associates

Ranked Number 2 nationally for industrial electric customer loyalty by TQS Research benchmarking study

Captured more than 31 percent market share in Georgia's newly deregulated retail natural gas market, the largest market share of any of the new marketers

Achieved nuclear production costs that are half the average of the 20 best electric utilities in the nation as reported by *Electric Light & Power* magazine

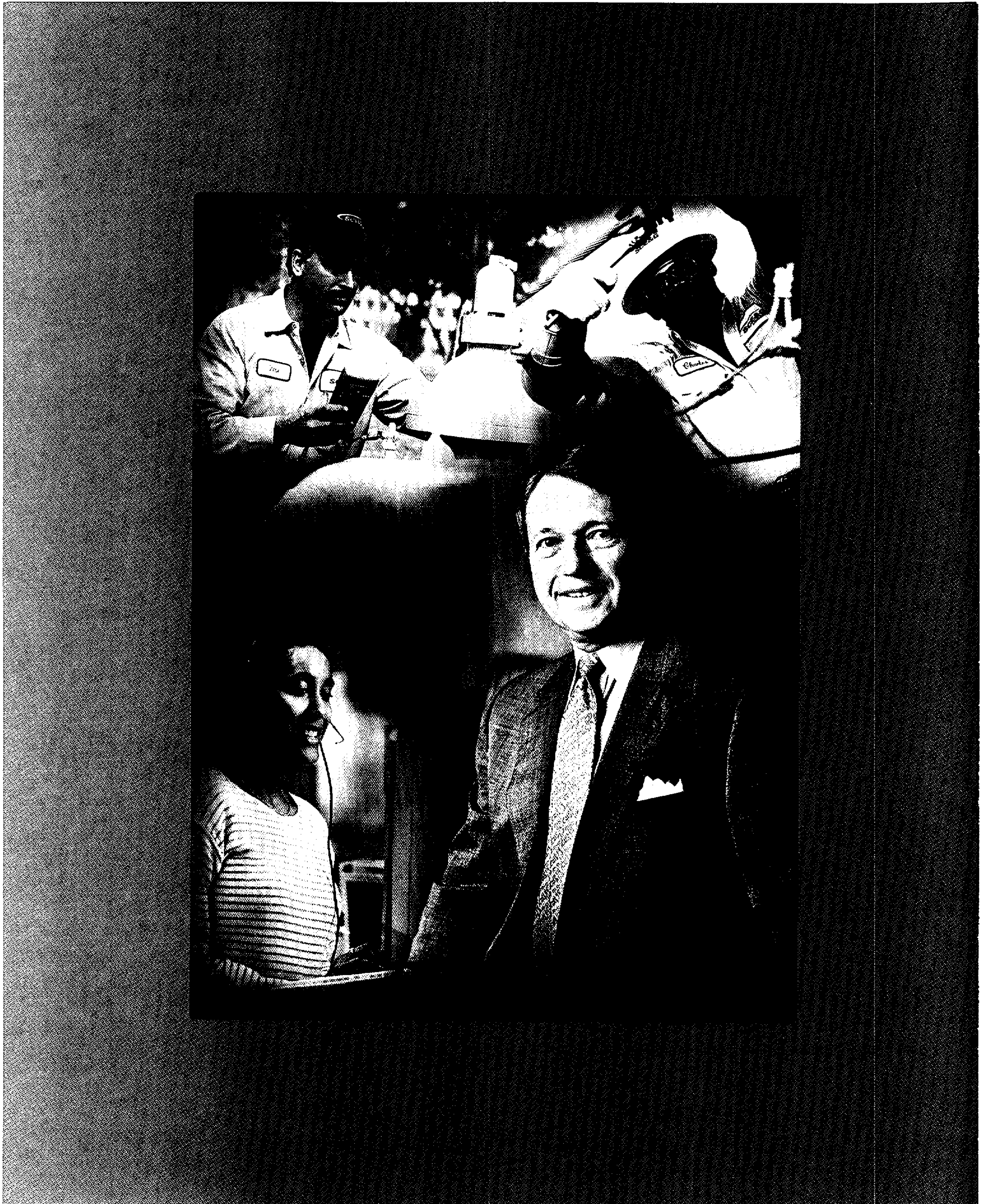
Ranked the ninth most efficient fossil electric generating system in the nation as reported by *Electric Light & Power* magazine

In 1999, we earned $1.73 per share, down from $2.12 per share in 1998. This earnings decline was due mainly to milder weather, start-up costs associated with our entry into the retail natural gas market in Georgia, and the $23 million reduction in retail electric rates that took effect in January 1999. These results were offset by a gain of approximately $30 million, or .29 cents per share, from the sale of our retail propane assets in the fourth quarter of 1999. We are using the net proceeds from this sale to reduce debt while focusing our operational efforts on the principal natural gas, electricity and telecommunications businesses.

Our strategic goals for the year 2000 and beyond remain the same. I expect our Georgia operations to at least break even for 2000. We are focused on improving our very high levels of customer satisfaction and remaining a very efficient, low-cost energy producer while capturing the growth in our businesses for the shareholder. Consistent with our dividend policy, the Board has voted to increase the annual cash dividend from $1.10 to $1.15 per share, beginning with the quarterly payment of April 1, 2000.

We successfully completed our merger with Public Service Company of North Carolina on February 10, 2000. In addition to providing earnings growth from its premier natural gas business, this expansion into one of the fastest growing energy markets in the Southeast provides SCANA with strategic regulated and non-regulated growth opportunities. Our marketing success in the Georgia retail natural gas market, and its conversion from start-up to on-going operations, coupled with our South Carolina and North Carolina operations, establish SCANA as one of the largest natural gas marketers in the Southeast.

We were not satisfied with the price of SCANA's stock during1999, even though our stock price performance was about average for the 90 largest electric utilities. While there has been some improvement in early 2000, I believe the value of our Company far exceeds its market price per share at this time. By most measures, the market value of our operating companies is slightly below the current trading range. However, if we were to liquidate our telecommunications investments at the common stock closing prices as of February 10, 2000,



those investments, on a fully converted basis, would be worth approximately $2 billion, or about $13 per common share, after tax. We will continue working hard to realize this value for shareholders.

On a personal note, I would like to thank John Rhodes for his many dedicated years of service as a member of SCANA's Board of Directors. John will turn 70 before the 2001 Annual Meeting and is therefore retiring from the Board in April 2000. His contributions to SCANA's evolution and his counsel will be greatly missed.

As a result of the merger with PSNC Energy, we have proposed four new members for SCANA's Board of Directors. I am certain that the addition of William Burkhardt, Jack Skolds, Smedes York and Charles Zeigler, Jr. will add to the strength of our Company. They are proven business leaders who possess the vision to help SCANA prosper in the face of a changing marketplace.

As we review the successes of 1999 and look ahead to the future, the leadership team and all of SCANA's nearly 5,500 employees appreciate your confidence and investment in our Company. Our employees hold approximately 13 percent of our Company's shares of common stock. We are all steadfast in our focus on delivering Energy for Success to maximize value for shareholders.

Respectfully submitted,

W.B. Timmerman
Chairman, President and Chief Executive Officer
February 22, 2000

lasting for an indefinite or unlimited time.

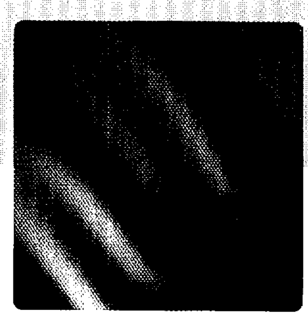
Customer service and satisfaction are the dynamic, perpetual forces behind SCANA's continued success in marketing our retail products and services.

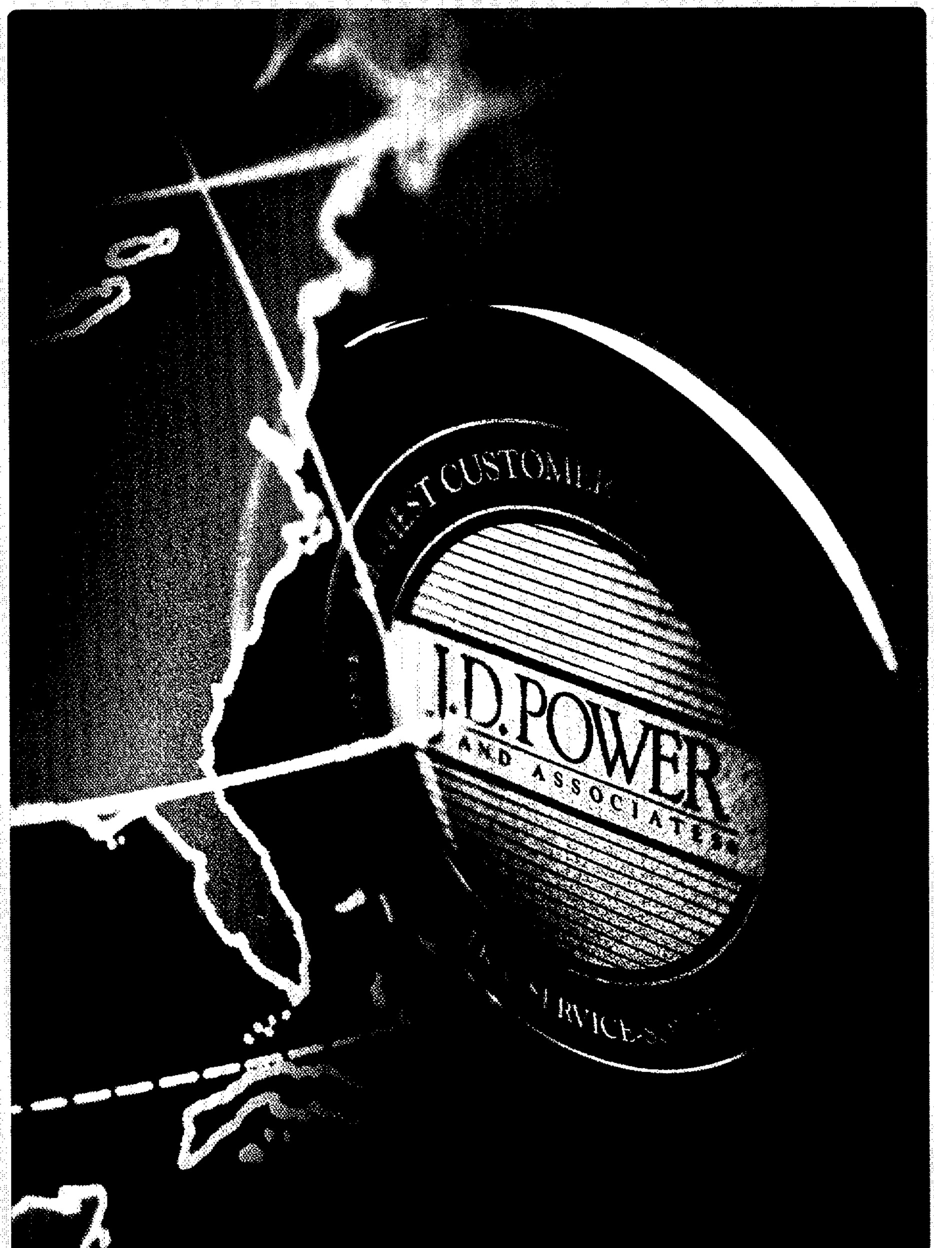
J.D.Power ranks SCANA #1 in customer satisfaction

In a 1999 J.D. Power and Associates study, SCANA ranked Number 1 in residential customer satisfaction among electric utilities in the Southeast. Our customers also gave us high ratings for reliability and image. We received the same message from our industrial electric customers. In a national key account benchmarking study by TQS Research of Atlanta, our industrial customers placed us second nationally in overall customer loyalty.

430,000 Georgia customers choose SCANA as their natural gas provider

Finding our way in Georgia's newly deregulated retail natural gas market proved enormously successful in 1999 as well. Beginning with zero name recognition, we eventually captured more than 31 percent of the market. And with the same commitment that keeps our customers in South Carolina satisfied, we focused on establishing a local presence in communities where our more than 430,000 new Georgia natural gas customers live and work.




J.D. POWER
AND ASSOCIATES

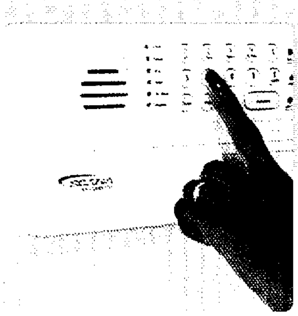
Expansion into Georgia and North Carolina creates new and exciting opportunities for profitable growth in the future

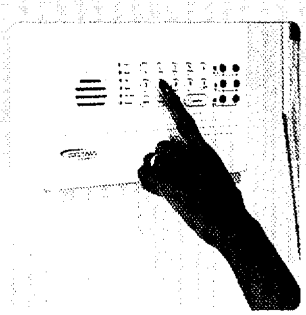
We continue to add to our natural gas business in 2000 as more than 350,000 North Carolinians become SCANA customers following our merger with Public Service Company of North Carolina. This gives us yet another foothold in one of the fastest growing regions of the Southeast with new and exciting opportunities for continued growth and expansion.

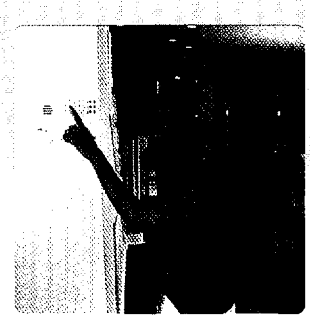
Marketing of our products and services also made our home security business one of the Top 10 fastest growing security businesses in the country.

SCANA's security business is one of fastest growing in the US

Our employees demonstrated clearly their commitment to customers on September 15, 1999. More than a quarter of our electric customers lost power as winds from Hurricane Floyd lashed the South Carolina coastline. At the height of the storm, more than 160,000 homes and businesses suffered outages. Even though the storm did significant damage to our system and equipment, we restored service to those customers in less than three days.







possessed by a body because of its motion.

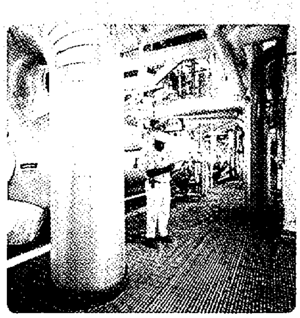
Moving forward with our focus on operational excellence in power generation and the delivery of electricity and natural gas are also keys to SCANA's continued success.

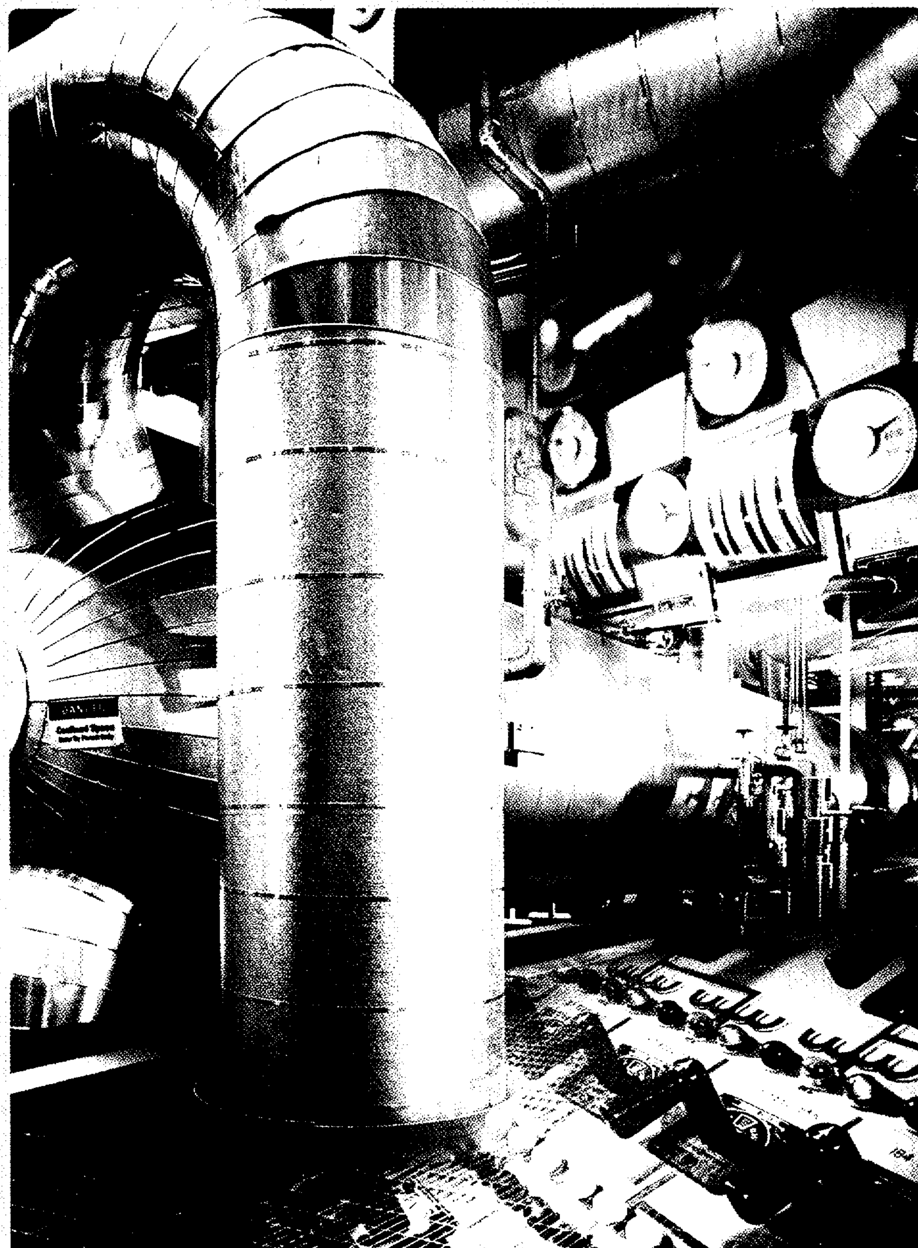
SCANA's award winning nuclear operations set the standard for industry excellence

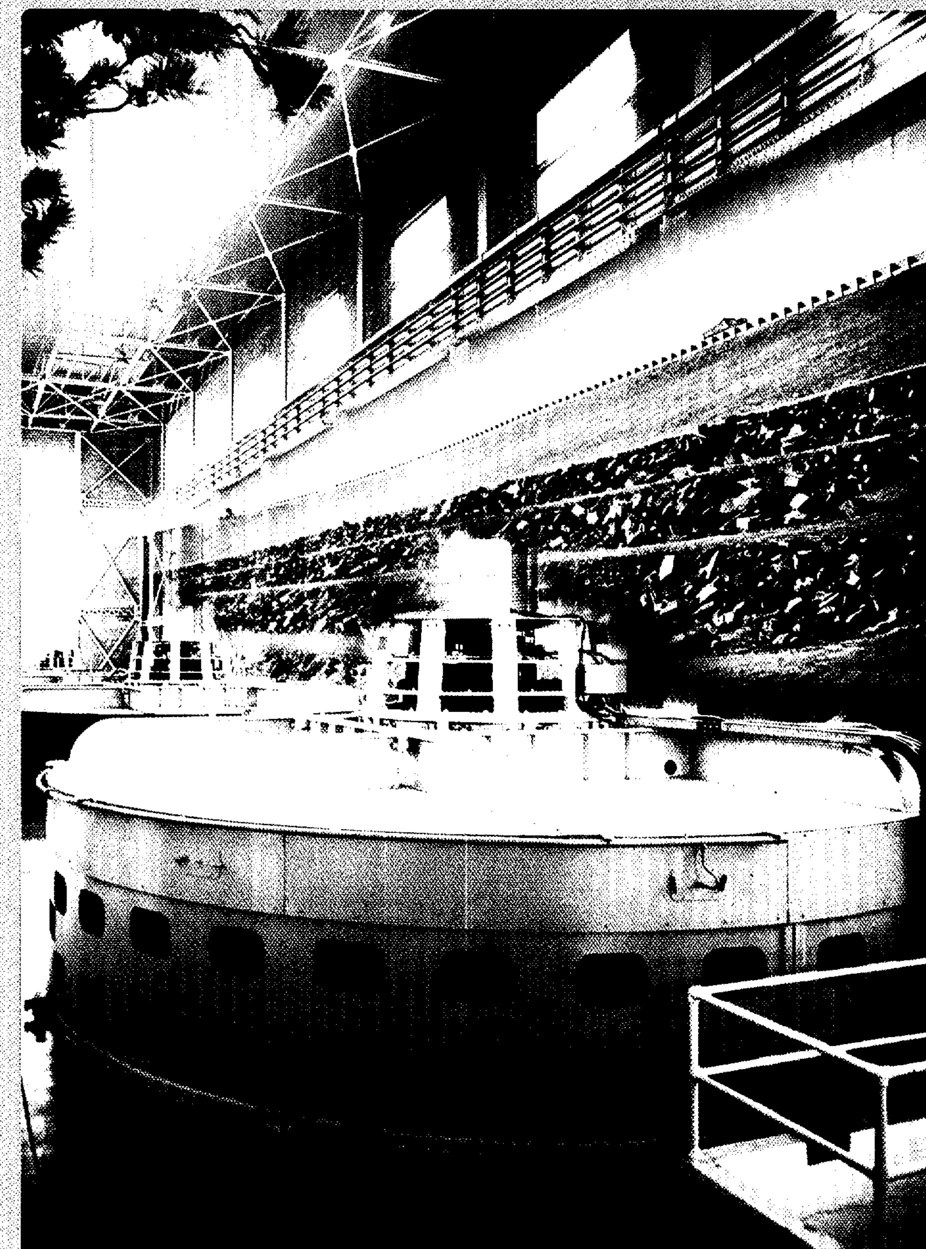
The V.C. Summer Nuclear Station maintains its preeminent position as a leader in the nuclear industry. The 1,000-megawatt facility is the latest recipient of the American Nuclear Society's Utility Achievement Award, one of the highest and most prestigious honors in the industry. And for the seventh time out of the last eight evaluations, Summer Station received the highest rating possible – a Category 1 – from the Institute of Nuclear Power Operators. It also set new records in every category of energy production before entering a refueling outage in the spring.

SCANA's electric generating system is one of the most efficient in US

Our fossil plants boast a similar record. Three of SCANA's electric steam plants rank among the 15 most efficient plants in the nation. On a systemwide basis, SCANA ranks as the ninth most efficient generator of electricity in the United States.







A reliable delivery system keeps electricity flowing to customers despite extreme weather

Next to efficiency, reliability is the number one operational goal in SCANA's electric group. Both were critical factors in our ability to keep the electricity flowing to our customers without interruption during the extreme heat of the summer of 1999, which caused problems for other electric generation and transmission systems across the country.

Adding new generation is critical to ensure the continued reliability and efficiency of our system in the future. We will add a net 300 megawatts of new generation and replace 150 existing megawatts at one of our oldest fossil plants with an environmentally friendly, 450-megawatt combined-cycle gas turbine project scheduled for completion by the summer of 2002. This plant will further allow SCANA to maximize the value of its natural gas pipeline capacity across our three state service area.

Aggressive natural gas pipeline expansion is one of SCANA's strategies for growth

Our commitment to growth and expansion is also visible in our aggressive natural gas line expansions, investment in economic development and product and service offerings such as home security and appliance protection programs in non-regulated markets.

determined by its position or structure.

Utilizing the talents of our employees to be the customers' first choice for energy products and related services is the final ingredient in our goal to continuously add value to our shareholders' investment in SCANA.

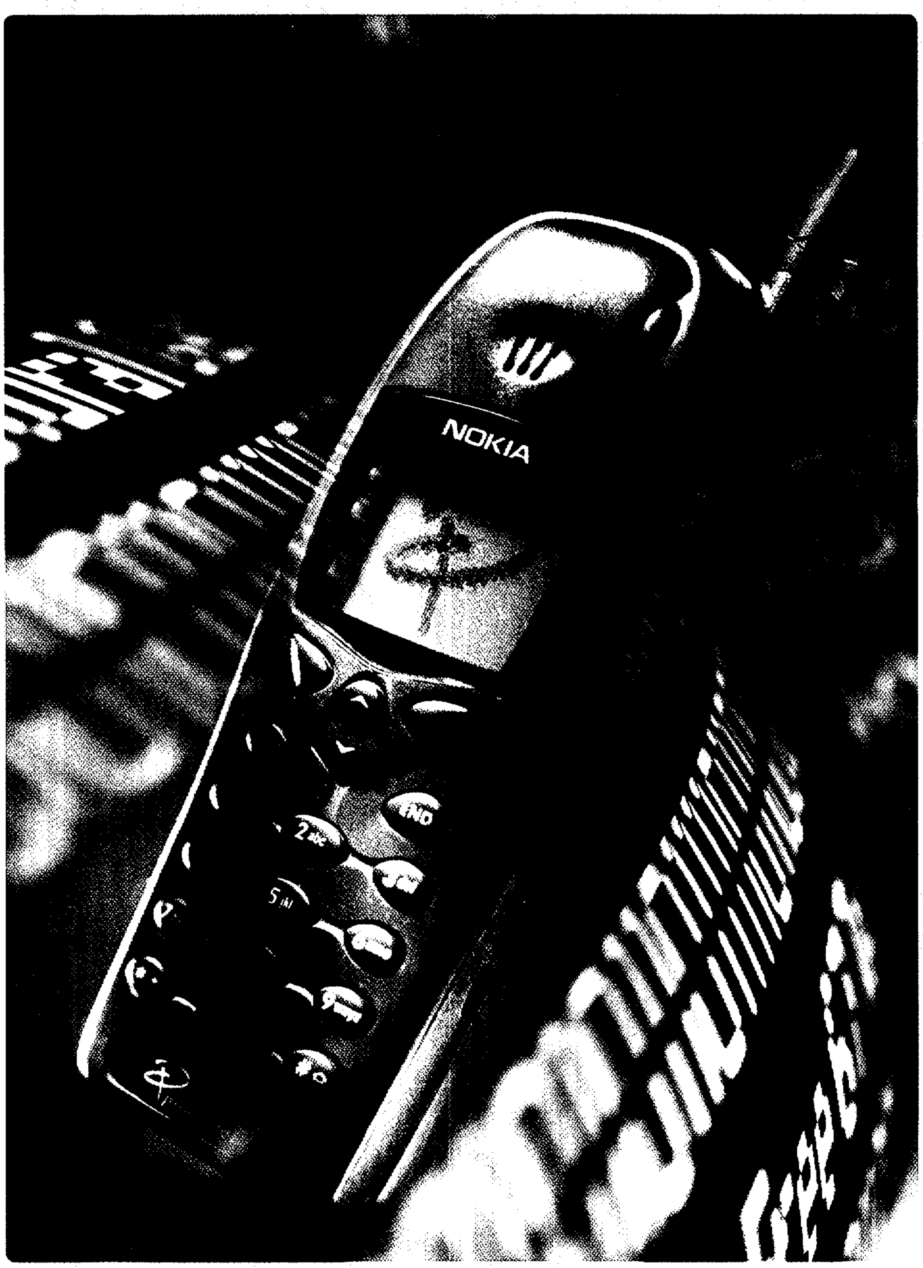
SCANA is leveraging synergies across the Southeast to create customer and shareholder value

The developments and successes of 1999 and into the year 2000 herald the emergence of SCANA as a major energy corporation in the Southeast. We will continue to follow our strategy of pursuing growth opportunities that create value for our customers and our shareholders. Our commitment to customer satisfaction and unparalleled service will provide the cornerstone for entering new markets to provide other, non-regulated products and services in the future.

SCANA's telecommunications strategy is to continue to build partnerships throughout the Southeast

One of the ways we are doing this is through our telecommunications businesses and investments. We are a leader in fiber optic telecommunications in the Southeast, with 2,500 miles of fiber installed or under construction. We also provide fiber optic telecommunications and video conferencing services in South Carolina, and our 800 MHz

PE=mgh


NOKIA

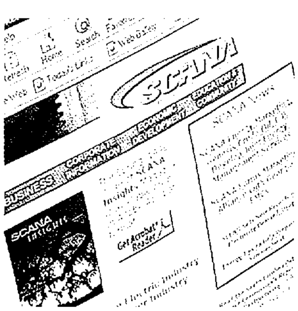
SCANA's extensive investments in telecommunications reaches across the Southeast

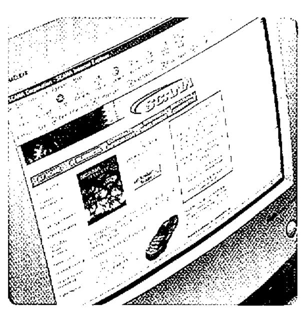
radio system serves as the communications backbone for 8,200 emergency service subscribers throughout the state.

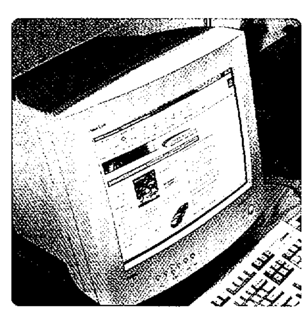
SCANA also has extensive investments in telecommunications products and services throughout the Southeast. These include Powertel, one of the fastest growing wireless personal communication services (PCS) providers in the Southeast; ITC^DeltaCom, a fully integrated telecommunications company providing local and long distance telephone service, data services, internet access and other services; and Knology Inc., a multifunctional telecommunications company offering expanded cable television, telephone service and internet access. Based on closing common stock prices as of February 10, 2000, SCANA's investment of approximately $360 million in these growing businesses was valued at approximately $2 billion, on a fully converted basis.

Energy for success is what SCANA is all about

Energy for success. It's what we are today and will be in the future as our employees make it possible for SCANA to fulfill its mission to be the best provider of customer-driven energy and telecommunications products and services in the Southeast.







Board of Directors

Bill L. Amick
Chairman & CEO
Amick Farms, Inc.
Batesburg, SC

James A. Bennett
Economic Dev. Director
First Citizens Bank
Columbia, SC

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

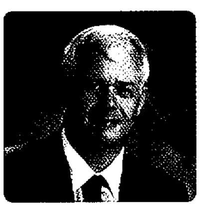
William C. Burkhardt
President & CEO
Austin Quality Foods, Inc.
Cary, NC

Hugh M. Chapman
Retired Chairman
NationsBank South
Atlanta, GA

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

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

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



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

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

John L. Skolds
President & COO
SCE&G
Columbia, SC *

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

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

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

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

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

* Nominee for Director

DIRECTORS EMERITI *William R. Bruce, Sr; William T. Cassels, Jr.; James B. Edwards; Kenneth W. French; Benjamin A. Hagood; Jack F. Hassell, Jr.; F. Creighton McMaster; Allan C. Mustard; Henry Ponder; Virgil C. Summer and John A. Warren*

Outgoing Director

JOHN B. RHODES

John B. Rhodes is retiring from SCANA's Board of Directors after 33 years of service. Elected to the Board in 1967, Mr. Rhodes served on the Management Development and Corporate Performance Committee, the Long-Term Compensation Committee and the Nuclear Oversight Committee.

Mr. Rhodes recently retired from Rhodes Oil Company, where he served as Chairman and Chief Executive Officer.

Executive Officers

H. Thomas Arthur, II
Legal

George J. Bullwinkel, Jr.
Telecommunications & Governmental Affairs

Asbury H. Gibbes
Natural Gas Transmission, SC

Kevin B. Marsh
Finance & Human Resources

Ann M. Milligan
Marketing; Retail Natural Gas, GA

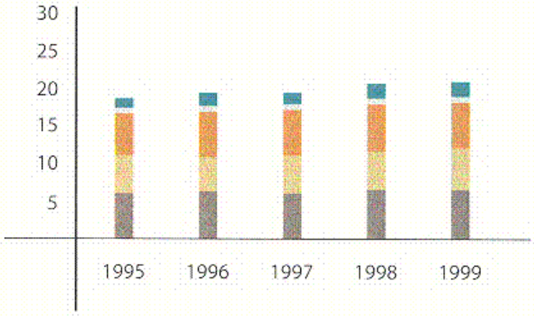
John L. Skolds
Electric & Natural Gas Operations, SC

William B. Timmerman
Chief Executive Officer

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

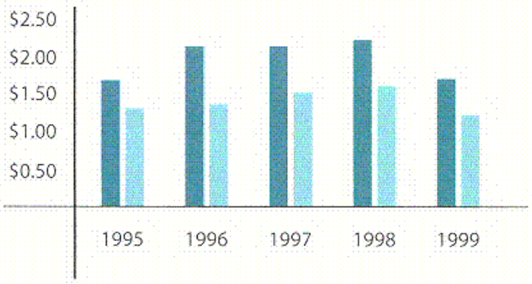
MARKET PRICE & BOOK VALUE (year-end)

Market Price (per common share)
Book Value (per common share)



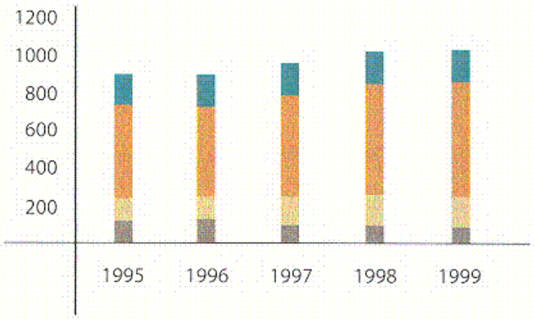
TOTAL ELECTRICITY SALES (billions of kilowatt-hours)

Residential *Industrial* *Wholesale*
Commercial *Other*



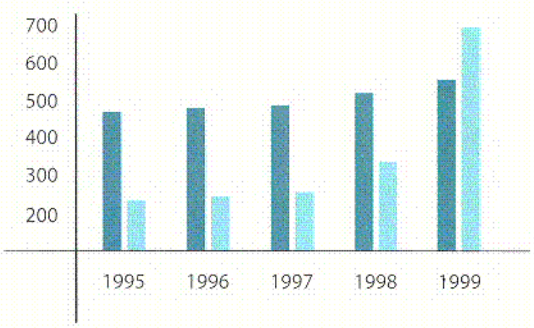
EARNINGS & DIVIDENDS

Reported Earnings (per common share)
Dividends Declared (per common share)



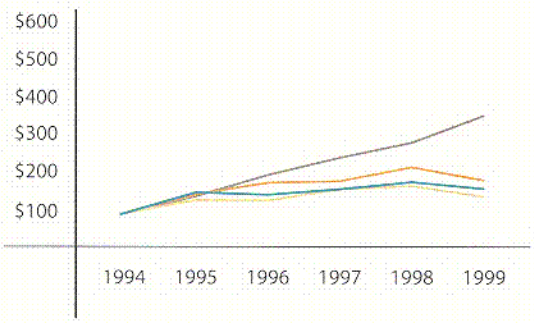
TOTAL REGULATED GAS SALES (millions of therms)

Residential *Industrial*
Commercial *Sales for Resale*



TOTAL CUSTOMERS (year-end, thousands)

Electric *Gas*



5-YEAR CUMULATIVE TOTAL RETURN
(with dividends reinvested)
Assumes $100 invested on 12 / 31 / 94

SCANA *S&P Utilities*
S&P 500 *S&P Electric Companies*

C-1

Independent Auditors' Report

SCANA Corporation:

We have audited the accompanying Consolidated Balance Sheets and Statements of Capitalization of SCANA Corporation (Company) as of December 31, 1999 and 1998 and the related Consolidated Statements of Income and Retained Earnings, Changes in Common Equity and of Cash Flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Columbia, South Carolina
February 10, 2000

Consolidated Balance Sheets

December 31, (Millions of dollars)	*1999*	*1998*
ASSETS		
Utility Plant (Notes 1, 3 & 4):		
Electric	$4,633	$4,406
Gas	632	604
Other	191	175
Total	5,456	5,185
Less accumulated depreciation and amortization	1,829	1,728
Total	3,627	3,457
Construction work in progress	159	251
Nuclear fuel, net of accumulated amortization	43	56
Acquisition adjustment—gas, net of accumulated amortization	22	23
Utility Plant, Net	3,851	3,787
Nonutility Property and Investments (net of accumulated depreciation) (Note 1)	999	493
Current Assets:		
Cash and temporary cash investments (Note 8)	116	62
Receivables	320	276
Inventories (At average cost):		
Fuel (Notes 3 & 4)	55	63
Materials and supplies	78	56
Prepayments	27	22
Deferred income taxes (Note 7)	16	22
Total Current Assets	612	501
Deferred Debits:		
Emission allowances	31	31
Environmental	24	22
Nuclear plant decommissioning fund (Note 1)	64	56
Pension asset, net (Note 1)	144	115
Other regulatory assets	177	194
Other (Notes 1 & 10)	109	82
Total Deferred Debits	549	500
TOTAL	$6,011	$5,281

Consolidated Balance Sheets

December 31, (Millions of dollars)	*1999*	*1998*
CAPITALIZATION AND LIABILITIES		
Stockholders' Investment:		
Common Equity (Note 5)	$2,099	$1,746
Preferred stock (Not subject to purchase or sinking funds)	106	106
Total Stockholders' Investment	2,205	1,852
Preferred Stock, net (Subject to purchase or sinking funds) (Notes 6 & 8)	11	11
SCE&G–Obligated Mandatorily Redeemable Preferred Securities of SCE&G's Subsidiary Trust, SCE&G Trust I, holding solely $50 million principal amount of the 7.55% Junior Subordinated Debentures of SCE&G, due 2027 (Note 6)	50	50
Long-Term Debt, net (Notes 3 & 8)	1,563	1,623
Total Capitalization	3,829	3,536
Current Liabilities:		
Short-term borrowings (Notes 4, 8 & 9)	266	195
Current portion of long-term debt (Note 3)	303	107
Accounts payable	189	219
Customer deposits	16	18
Taxes accrued	86	72
Interest accrued	29	28
Dividends declared	31	42
Other	13	13
Total Current Liabilities	933	694
Deferred Credits:		
Deferred income taxes (Notes 1 & 7)	805	628
Deferred investment tax credits (Notes 1 & 7)	116	108
Reserve for nuclear plant decommissioning (Note 1)	64	56
Postretirement benefits (Note 1)	98	87
Other regulatory liabilities	64	71
Other (Note 1)	102	101
Total Deferred Credits	1,249	1,051
Commitments and Contingencies (Note 10)	–	–
TOTAL	$6,011	$5,281

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income and Retained Earnings

For the Years Ended December 31, (Millions of dollars, except per share amounts)	*1999*	*1998*	*1997*
Operating Revenues (Notes 1 & 2):			
Electric	$1,226	$1,220	$1,103
Gas	422	411	419
Transit	2	1	1
Total Operating Revenues	1,650	1,632	1,523
Operating Expenses:			
Fuel used in electric generation	285	262	248
Purchased power	36	31	9
Gas purchased for resale	289	269	287
Other operation (Note 1)	258	257	239
Maintenance (Note 1)	90	84	72
Depreciation and amortization (Note 1)	168	145	153
Income taxes (Notes 1 & 7)	110	136	105
Other taxes	104	103	96
Total Operating Expenses	1,340	1,287	1,209
Operating Income	310	345	314
Other Income (Note 1):			
Other income (loss), net of income taxes	(20)	5	13
Gain on sale of subsidiary assets, net of income taxes	39	–	18
Allowance for equity funds used during construction	3	8	7
Total Other Income	22	13	38
Income Before Interest Charges and Preferred Stock Dividends	332	358	352
Interest Charges (Credits):			
Interest on long-term debt, net	132	121	115
Other interest expense	14	10	12
Allowance for borrowed funds used during construction (Note 1)	(4)	(8)	(6)
Total Interest Charges, Net	142	123	121
Income Before Preferred Dividend Requirements on Mandatorily Redeemable Preferred Securities	190	235	231
Preferred Dividend Requirement of SCE&G –Obligated Mandatorily Redeemable Preferred Securities	4	4	1
Income Before Preferred Stock Cash Dividends of Subsidiary	186	231	230
Preferred Stock Cash Dividends of Subsidiary (At stated rates)	7	8	9
Net Income	179	223	221
Retained Earnings at Beginning of Year	678	617	558
Common Stock Cash Dividends Declared (Note 5)	(137)	(162)	(162)
Retained Earnings at End of Year	$720	$678	$617
Net Income	$179	$223	$221
Weighted Average Number of Common Shares Outstanding (Millions)	103.6	105.3	107.1
Earnings Per Weighted Average Share of Common Stock (Basic and Diluted)	$1.73	$2.12	$2.06

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, (Millions of dollars)	*1999*	*1998*	*1997*
Cash Flows From Operating Activities:			
Net Income	$179	$223	$221
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation, depletion and amortization	177	152	176
Amortization of nuclear fuel	18	20	19
Deferred income taxes, net	19	15	30
Pension asset	(29)	(33)	(24)
Postretirement benefits	11	26	24
Other regulatory assets	23	16	37
Other regulatory liabilities	(7)	4	4
Allowance for funds used during construction	(7)	(16)	(13)
Over (under) collection, fuel adjustment clause	(6)	1	–
Changes in certain current assets and liabilities:			
(Increase) decrease in receivables	(44)	(28)	1
(Increase) decrease in inventories	(14)	(16)	15
Increase (decrease) in accounts payable	(30)	88	(26)
Increase (decrease) in taxes accrued	14	13	(12)
Other, net	(80)	2	(40)
Net Cash Provided From Operating Activities	224	467	412
Cash Flows From Investing Activities:			
Utility property additions and construction expenditures, net of AFC	(238)	(281)	(250)
(Increase) decrease in nonutility property and investments:			
Sale of subsidiary assets	112	–	118
Nonutility property	(23)	(22)	(38)
Investments	(73)	(106)	(75)
Net Cash Used For Investing Activities	(222)	(409)	(245)
Cash Flows From Financing Activities:			
Proceeds:			
Issuance of SCE&G-obligated mandatorily redeemable trust preferred securities	–	–	49
Issuance of First Mortgage Bonds	99	–	–
Issuance of common stock	–	–	29
Issuance of notes and loans	200	249	86
Issuance of preferred stock	–	–	99
Repayments and repurchases:			
Mortgage bonds	(10)	(50)	(15)
Notes and loans	(77)	(96)	(70)
Other long-term debt	(10)	–	(8)
Preferred stock	–	(1)	(53)
Common stock	–	(110)	–
Dividend payments:			
Common stock	(148)	(163)	(160)
Preferred stock	(7)	(7)	(9)
Short-term borrowings, net	71	136	(86)
Fuel financings, net	(66)	(14)	14
Net Cash Provided From (Used For) Financing Activities	52	(56)	(124)
Net Increase in Cash and Temporary Cash Investments	54	2	43
Cash and Temporary Cash Investments, January 1	62	60	17
Cash and Temporary Cash Investments, December 31	$116	$62	$60
Supplemental Cash Flow Information:			
Cash paid for–Interest (Includes capitalized interest of $4, $7 and $6)	$142	$127	$124
–Income taxes	84	114	113
Noncash Financing Activities:			
Unrealized gain on securities available for sale (net of tax)	311	7	18

See Notes to Consolidated Financial Statements.

Consolidated Statements of Capitalization

December 31, (Millions of dollars)					*1999*		*1998*	
Common Equity (Note 5):								
Common stock, without par value, authorized 150,000,000 shares; issued and outstanding, 103,572,623 shares in 1999 and 1998					$1,043		$1,043	
Unrealized gain on securities available for sale					336		25	
Retained earnings					720		678	
Total Common Equity					2,099	55%	1,746	50%
South Carolina Electric & Gas Company:								
Cumulative Preferred Stock (Not subject to purchase or sinking funds):								
$100 Par Value–Authorized 1,200,000 shares								
$50 Par Value–Authorized 125,209 shares								
		Shares Outstanding		Redemption Price				
	Series	1999	1998					
$100 Par	6.52%	1,000,000	1,000,000	100.00	100		100	
$50 Par	5.00%	125,209	125,209	52.50	6		6	
Total Preferred Stock (Not subject to purchase or sinking funds)					106	3%	106	3%
South Carolina Electric & Gas Company:								
Cumulative Preferred Stock (Subject to purchase or sinking funds) (Notes 6 & 8):								
$100 Par Value–Authorized 1,550,000 shares; None outstanding in 1999 and 1998								
$50 Par Value–Authorized 1,571,487 shares								
		Shares Outstanding		Redemption Price				
	Series	1999	1998					
	4.50%	11,200	12,800	51.00	1		1	
	4.60%(A)	18,052	20,052	51.00	1		1	
	4.60%(B)	61,200	64,600	50.50	3		3	
	5.125%	68,000	69,000	51.00	3		3	
	6.00%	73,035	73,600	50.50	4		4	
Total		231,487	240,052					
$25 Par Value–Authorized 2,000,000 shares; None outstanding in 1999 and 1998								
Total Preferred Stock (Subject to purchase or sinking funds)					12		12	
Less: Current portion, including sinking fund requirements					1		1	
Total Preferred Stock, Net (Subject to purchase or sinking funds)					11	–	11	–
SCE&G–Obligated Mandatorily Redeemable Preferred Securities of SCE&G's Subsidiary Trust, SCE&G Trust I, holding solely $50 million principal amount of 7.55% Junior Subordinated Debentures of SCE&G, due 2027					50	1%	50	1%

Consolidated Statements of Capitalization

December 31, (Millions of dollars)		*1999*		*1998*	
Long-Term Debt (Notes 3, 4 & 8):					
SCANA Corporation:					
Medium-Term Notes:					
Series	Year of Maturity				
7.17%	1999	–		43	
6.60%	1999	–		30	
5.52%	2000	150		–	
6.15%	2000	20		20	
6.51%	2003	20		20	
6.05%	2003	60		60	
6.25%	2003	75		75	
7.44%	2004	50		–	
6.90%	2007	25		25	
5.81%	2008	115		115	
South Carolina Electric & Gas Company:					
First Mortgage Bonds:					
Series	Year of Maturity				
6%	2000	100		100	
6 1/4%	2003	100		100	
7.70%	2004	100		100	
6 1/8%	2009	100		–	
7 1/8%	2013	150		150	
7 1/2%	2023	150		150	
7 5/8%	2023	100		100	
7 5/8%	2025	100		100	
First and Refunding Mortgage Bonds:					
Series	Year of Maturity				
9%	2006	131		131	
8 7/8%	2021	103		114	
Pollution Control Facilities Revenue Bonds:					
Fairfield County Series 1984, due 2014 (6.50%)		57		57	
Orangeburg County Series 1994, due 2024 (5.70%)		30		30	
Other		17		16	
Charleston Franchise Agreement due 1997-2002		11		14	
Charleston Environmental Agreement		–		6	
South Carolina Generating Company, Inc.:					
Berkeley County Pollution Control Facilities Revenue Bonds, Series 1984 due 2014 (6.50%)		36		36	
Note, 7.78%, due 2011		49		53	
South Carolina Fuel Company, Inc. Commercial Paper		–		66	
South Carolina Pipeline Corporation Notes, 6.72%, due 2013		17		19	
Other		3		3	
Total Long-Term Debt		1,869		1,733	
Less–Current maturities, including sinking fund requirements		303		107	
–Unamortized discount		3		3	
Total Long-Term Debt, Net		1,563	41%	1,623	46%
Total Capitalization		$3,829	100%	$3,536	100%

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Common Equity

For the Years Ended December 31, (Millions of dollars)	*1999*		*1998*		*1997*	
	Common Equity	Comprehensive Income	Common Equity	Comprehensive Income	Common Equity	Comprehensive Income
Retained Earnings:						
Balance at January 1	$678		$617		$558	
Net Income	179	$179	223	$223	221	$221
Dividends declared on common stock	(137)		(162)		(162)	
Balance at December 31	720		678		617	
Accumulated other comprehensive income:						
Balance at January 1	25		18		–	
Unrealized gains on securities, net of taxes ($165, $4 and $11 in 1999, 1998 and 1997, respectively)	311	311	7	7	18	18
Comprehensive income		$490		$230		$239
Balance at December 31	336		25		18	
Common Stock:						
Balance at January 1	1,043		1,153		1,125	
Shares issued	–		–		28	
Shares repurchased	–		(110)		–	
Balance at December 31	1,043		1,043		1,153	
Total Common Equity	$2,099		$1,746		$1,788	

Accumulated other comprehensive income at December 31, 1999, 1998 and 1997 was comprised of unrealized holding gains on securities, net of taxes. There were no realized gains or losses from these securities for the years ended December 31, 1999, 1998 and 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Principles of Consolidation

SCANA Corporation (Company), a South Carolina corporation, is a public utility holding company within the meaning of the Public Utility Holding Company Act of 1935 (PUHCA) but is exempt from registration under such Act (See Note 13). The Company, through wholly owned subsidiaries, is engaged predominately in the generation and sale of electricity to wholesale and retail customers in South Carolina and in the purchase, sale and transportation of natural gas to wholesale and retail customers in South Carolina. The Company is also engaged in other energy-related businesses. The Company has investments in telecommunications companies and provides fiber optic communications in South Carolina.

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

Regulated utilities
South Carolina Electric & Gas Company (SCE&G)
South Carolina Fuel Company, Inc. (Fuel Company)
South Carolina Generating Company, Inc. (GENCO)
South Carolina Pipeline Corporation (Pipeline Corporation)

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

Certain investments are reported using the cost or equity method of accounting, as appropriate. Significant intercompany balances and transactions have been eliminated in consolidation except as permitted by Statement of Financial Accounting Standards No. 71 (SFAS 71), "Accounting for the Effects of Certain Types of Regulation" which provides that profits on intercompany sales to regulated affiliates are not eliminated if the sales price is reasonable and the future recovery of the sales price through the rate-making process is probable.

B. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of SFAS 71. The accounting standard requires cost-based rate-regulated utilities to recognize in their financial statements revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result the Company has recorded, as of December 31, 1999, approximately $201 million and $64 million of regulatory assets and liabilities, respectively, including amounts recorded for deferred income tax assets and liabilities of approximately $131 million and $48 million, respectively. The electric and gas regulatory assets of approximately $35 million and $34 million, respectively (excluding deferred income tax assets), are being recovered through rates and, as discussed in Note 2C, the Public Service Commission of South Carolina (PSC) has approved accelerated recovery of approximately $7 million of the electric regulatory assets. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded, but it is not expected that cash flows or financial position would be materially affected.

C. System of Accounts

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

D. Utility Plant

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

SCE&G, operator of the V. C. Summer Nuclear Station (Summer Station), and Santee Cooper (formerly the South Carolina Public Service Authority) are joint owners of Summer Station in the proportions of two-thirds and one-third, respectively. The parties share the operating costs and energy output of the plant in these proportions. Each party, however, provides its own financing. Plant-in-service related to SCE&G's portion of Summer Station was approximately $959.7 million and $983.3 million as of December 31, 1999 and 1998, respectively. Accumulated depreciation associated with SCE&G's share of Summer Station was approximately $365.1 million and $369.2 million as of December 31, 1999 and 1998, respectively. SCE&G's share of the direct expenses associated with operating Summer Station is included in "Other operation" and "Maintenance" expenses.

E. Allowance for Funds Used During Construction

AFC, a noncash item, reflects the period cost of capital devoted to plant under construction. This accounting practice results in the inclusion of, as a component of construction cost, the costs of debt and equity capital dedicated to construction investment. AFC is included in rate base investment and depreciated as a component of plant cost in establishing rates for utility services. The Company's regulated subsidiaries calculated AFC using composite rates of 8.1%, 8.7% and 9.1% for 1999, 1998 and 1997, respectively. These rates do not exceed the maximum allowable rate as calculated under FERC Order No. 561. Interest on nuclear fuel in process and sulfur dioxide emission allowances is capitalized at the actual interest amount incurred.

F. Revenue Recognition

Customers' meters are read and bills are rendered on a monthly cycle basis. SCE&G and Pipeline Corporation record base revenue during the accounting period in which the meters are read.

Fuel costs for electric generation are collected through the fuel cost component in retail electric rates. The fuel cost component contained in electric rates is established by the PSC during annual fuel cost hearings. Any difference between actual fuel costs and that contained in the fuel cost component is deferred and included when determining the fuel cost component during the next annual fuel cost hearing. SCE&G had undercollected through the electric fuel cost component approximately $10.1 million and $3.1 million at December 31, 1999 and December 31, 1998, respectively, which are included in "Deferred Debits – Other."

Customers subject to the gas cost adjustment clause are billed based on a fixed cost of gas determined by the PSC during annual gas cost recovery hearings. Any difference between actual gas costs and that contained in rates is deferred and included when establishing gas costs during the next annual gas cost recovery hearing. At December 31, 1999 and 1998 the Company had undercollected through the gas cost recovery procedure approximately $4.1 million and $5.2 million, respectively, which are included in "Deferred Debits - Other."

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

G. Depreciation and Amortization

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

The composite weighted average depreciation rates were as follows:

	1999	1998	1997
SCE&G	2.99%	3.02%	3.09%
GENCO	2.56%	2.65%	2.63%
Pipeline Corporation	2.62%	2.63%	2.62%
Aggregate of Above	2.95%	2.98%	3.05%

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

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

H. Nuclear Decommissioning

Decommissioning of Summer Station is presently scheduled to commence when the operating license expires in the year 2022. Based on a 1991 study, the expenditures (on a before-tax basis) related to SCE&G's share of decommissioning activities are estimated, in 2022 dollars assuming a 4.5 percent annual rate of inflation, to be $545.3 million including partial reclamation costs. SCE&G is providing for its share of estimated decommissioning costs of Summer Station over the life of Summer Station. SCE&G's method of funding decommissioning costs is referred to as COMReP (Cost of Money Reduction Plan). Under this plan, funds collected through rates ($3.2 million in each of 1999 and 1998) are used to pay premiums on insurance policies on the lives of certain Company personnel. SCE&G is the beneficiary of these policies. Through these insurance contracts, SCE&G is able to take advantage of income tax benefits and accrue earnings on the fund on a tax-deferred basis. Amounts for decommissioning collected through electric rates, insurance proceeds, and interest on proceeds less expenses are transferred by SCE&G to an external trust fund in compliance with the financial assurance requirements of the Nuclear Regulatory Commission. Management intends for the fund, including earnings thereon, to provide for all eventual decommissioning expenditures on an after-tax basis. The trust's sources of decommissioning funds under the COMReP program include investment components of life insurance policy proceeds, return on investment and the cash transfers from SCE&G described above. SCE&G records its liability for decommissioning costs in deferred credits.

Pursuant to the National Energy Policy Act passed by Congress in 1992 and the requirements of the DOE, SCE&G has recorded a liability for its estimated share of the DOE's decontamination and decommissioning obligation. The liability, approximately $3.2 million at December 31, 1999, has been included in "Long-Term Debt, net." SCE&G is recovering the cost associated with this liability through the fuel cost component of its rates; accordingly, this amount has been deferred and is included in "Deferred Debits - Other."

I. Income Taxes

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

J. Pension Expense and Other Postretirement Benefits

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

In addition to pension benefits, the Company provides certain health care and life insurance benefits to active and retired employees. Retirees share in a portion of their medical care cost. The Company provides life insurance benefits to retirees at no charge. The costs of postretirement benefits other than pensions are accrued during the years the employees render the service necessary to be eligible for the applicable benefits. Additionally, to accelerate the amortization of the remaining transition obligation for postretirement benefits other than pensions, as authorized by the PSC, the Company expensed approximately $0.7 million, $15.7 million and $15.6 million for the years ended December 31, 1999, 1998 and 1997, respectively. (See Note 2C)

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

Components of Net Periodic Benefit Cost

Retirement Benefits (Millions of Dollars)

	1999	1998	1997
Service Cost	$10.0	$8.3	$6.8
Interest Cost	27.9	25.9	23.5
Expected return on assets	(65.5)	(59.3)	(41.6)
Prior service cost amortization	1.1	1.1	1.1
Actuarial (gain) loss	(8.6)	(9.6)	(7.0)
Transition amount amortization	0.8	0.8	0.8
Special termination benefit cost	5.5	0.0	0.0
Net periodic benefit income	$(28.8)	$(32.8)	$(16.4)

Other Postretirement Benefits (Millions of Dollars)

	1999	1998	1997
Service Cost	$3.0	$2.6	$2.5
Interest Cost	9.5	9.4	7.8
Expected return on assets	n/a	n/a	n/a
Prior service cost amortization	0.7	0.7	0.7
Actuarial (gain) loss	1.2	1.0	0.1
Transition amount amortization	1.7	19.1	18.9
Special termination benefit cost	1.0	0.0	0.0
Net periodic benefit cost	$17.1	$32.8	$30.0

Weighted-Average Assumptions as of December 31

Retirement Benefits

	1999	1998	1997
Discount Rate	8.0%	7.0%	7.5%
Expected return on plan assets	9.5%	9.5%	8.0%
Rate of compensation increase	4.0%	4.0%	4.0%

Other Postretirement Benefits

	1999	1998	1997
Discount Rate	8.0%	7.0%	7.5%
Expected return on plan assets	n/a	n/a	n/a
Rate of compensation increase	4.0%	4.0%	4.0%

Change in Benefit Obligation

Retirement Benefits (Millions of Dollars)

	1999	1998
Benefit obligation, January 1	$389.3	$344.3
Service cost	10.0	8.3
Interest cost	27.9	25.9
Plan participants' contributions	0.1	0.2
Actuarial loss (gain)	(51.6)	28.3
Benefits paid	(18.9)	(17.7)
Special termination	5.5	0.0
Benefit obligation, December 31	$362.3	$389.3

Other Postretirement Benefits (Millions of Dollars)

	1999	1998
Benefit obligation, January 1	$137.0	$108.8
Service cost	3.0	2.6
Interest cost	9.5	9.4
Plan participants' contributions	0.5	0.5
Actuarial loss (gain)	(14.5)	23.3
Benefits paid	(6.7)	(7.6)
Special termination	1.0	0.0
Benefit obligation, December 31	$129.8	$137.0

Change in Plan Assets

Retirement Benefits (Millions of Dollars)

	1999	1998
Fair value of plan assets, January 1	$698.8	$632.9
Actual return on plan assets	103.0	83.5
Company contribution	0.0	0.0
Plan participants' contributions	0.1	0.1
Benefits paid	(18.9)	(17.7)
Fair value of plan assets, December 31	$783.0	$698.8

The Company does not fund postretirement benefits other than pensions.

Funded Status of Plans

Retirement Benefits (Millions of Dollars)

	1999	1998
Funded status, December 31	$420.8	$309.5
Unrecognized actuarial gain	(294.0)	(213.4)
Unrecognized prior service cost	11.3	12.3
Unrecognized net transition obligation	5.6	6.5
Net amount recognized in Consolidated Balance Sheets	$143.7	$114.9

Other Postretirement Benefits (Millions of Dollars)

	1999	1998
Funded status, December 31	$(129.8)	$(137.0)
Unrecognized actuarial loss	18.8	34.5
Unrecognized prior service cost	4.3	5.1
Unrecognized net transition obligation	9.1	10.7
Net amount recognized in Consolidated Balance Sheets	$(97.6)	$(86.7)

Health Care Trends

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

	1999	1998	1997
Health care cost trend rate	8.0%	8.5%	9.0%
Ultimate health care cost trend rate	5.5%	5.0%	5.5%
Year achieved	2005	2005	2004

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

(Millions of Dollars)	1% Increase	1% Decrease
Effect on health care cost	$0.2	$(0.2)
Effect on postretirement obligation	2.9	(3.3)

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

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

L. Environmental

The Company has an environmental assessment program to identify and assess current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and clean up each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate primarily to regulated operations. Such amounts are deferred and amortized with recovery provided through rates. The Company has also recovered portions of its environmental liabilities through settlements with various insurance carriers. As of December 31, 1999, the Company has recovered all amounts previously deferred for its electric operations. The Company expects to recover all deferred amounts related to its gas operations by December 2005. Deferred amounts, net of amounts recovered through rates and insurance settlements, totaled $23.7 million and $21.3 million at December 31, 1999 and 1998, respectively. The deferral includes the estimated costs associated with the matters discussed in Note 10C.

M. Oil and Gas

On December 1, 1997 substantially all of the assets of the Company's oil and gas exploration and production subsidiary, SCANA Petroleum Resources, Inc. were sold for $110 million, resulting in an after-tax gain of $17.6 million. The Company followed the full cost method of accounting for its oil and gas operations and, accordingly, capitalized all costs it incurred in the acquisition, exploration and development of interests in oil and gas properties. In addition, the capitalized costs were subject to a "ceiling test". However, no non-cash writedowns resulted from the application of the ceiling test for the year ended December 31, 1997.

N. Temporary Cash Investments

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

O. Commodity Derivatives

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

P. Recently Issued Accounting Standard

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the Statement, which will be implemented by the Company for the fiscal year beginning January 1, 2001, establish accounting and reporting standards for derivative instruments, including those imbedded in other contracts, and hedging activities. The impact that adoption of the provisions of the Statement will have on the Company's results of operations, cash flows and financial position has not been determined.

Q. Reclassifications

Certain amounts from prior periods have been reclassified to conform with the 1999 presentation.

R. Use of Estimates

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

2. RATE MATTERS

A. On September 14, 1999, the PSC approved an accelerated capital recovery plan for SCE&G's Cope Generating Station. The plan was implemented beginning January 1, 2000 for a three-year period. The PSC approved an accelerated capital recovery methodology wherein SCE&G will increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates. The amount of the accelerated depreciation will be determined by SCE&G based on the level of revenues and operating expenses, not to exceed $36 million annually without the approval of the PSC. Any unused portion of the $36 million in any given year could be carried forward for possible use in the subsequent year. The accelerated capital recovery plan will be accomplished through existing customer rates.

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

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

D. In 1994 the PSC issued an order approving SCE&G's request to recover through a billing surcharge to its gas customers the costs of environmental cleanup at the sites of former manufactured gas plants. The billing surcharge is subject to annual review and provides for the recovery of substantially all actual and projected site assessment and cleanup costs and environmental claims settlements for SCE&G's gas operations that had previously been deferred. In October 1999, as a result of the annual review, the PSC approved SCE&G's request to maintain the billing surcharge at $.011 per therm to provide for the recovery of the remaining balance of $24.2 million.

E. In September 1992 the PSC issued an order granting SCE&G a $.25 increase in transit fares from $.50 to $.75 in Columbia, South Carolina; however, the PSC also required $.40 fares for low income customers and denied SCE&G's request to reduce the number of routes and frequency of service. The new rates were placed into effect in October 1992. SCE&G appealed the PSC's order to the Circuit Court, which in May 1995 ordered the case back to the PSC for reconsideration of several issues including the low income rider program, routing changes, and the $.75 fare. The Supreme Court declined to review an appeal of the Circuit Court decision and dismissed the case. The PSC and other intervenors filed another Petition for Reconsideration, which the Supreme Court denied. The PSC and other intervenors filed another appeal to the Circuit Court which the Circuit Court denied in an order dated May 9, 1996. In this order, the Circuit Court upheld its previous orders and remanded them to the PSC. During August 1996, the PSC heard oral arguments on the orders on remand from the Circuit Court. On September 30, 1996, the PSC issued an order affirming its previous orders and denied SCE&G's request for reconsideration. SCE&G has appealed these two PSC orders to the Circuit Court where they are awaiting action.

F. On August 8, 1990, the PSC issued an order approving changes in Pipeline Corporation's gas rate design for sales for resale service and upholding the "value-of-service" method of regulation for its direct industrial service. Direct industrial customers seeking "cost-of-service" based rates appealed to the Circuit Court, which reversed and remanded to the PSC its August 8, 1990 order. Pipeline Corporation appealed that decision to the Supreme Court, which on January 10, 1994 reversed the Circuit Court decision and reinstated the PSC order. Additionally, the Supreme Court interpreted the rate-making statutes of South Carolina to give discretion to the PSC in selecting the methodology to be used in setting rates for natural gas service. The PSC then held another hearing and issued its order dated December 12, 1995 maintaining the present level of the maximum markup on industrial sales ("cap"). This Order was appealed to the Circuit Court by Pipeline Corporation and the industrial customer group with several other parties intervening, including the Consumer Advocate of South Carolina. On October 10, 1997, the Circuit Court issued an order in favor of the Consumer Advocate and the industrial customer group and remanded the case to the PSC to determine an overall rate of return for Pipeline Corporation. The Circuit Court also issued a second order which ruled against Pipeline Corporation and affirmed the PSC's decision that the cap should not be increased. Several motions and appeals were filed subsequently at the Supreme Court. The Supreme Court has dismissed the appeals of the PSC and Pipeline Corporation from the first order without prejudice until the PSC completes proceedings on remand and has held Pipeline Corporation's appeal of the second order in abeyance until the PSC completes proceedings on remand. The remanded case was heard by the PSC in June 1998. The PSC set an overall rate of return on equity for Pipeline Corporation of 12.5-16.5 percent. The South Carolina Energy Users Committee (SCEUC) appealed the order to the Circuit Court. On March 26, 1999, the Circuit Court dismissed the SCEUC's appeal on the grounds that it was not timely filed.

3. LONG-TERM DEBT

The annual amounts of long-term debt maturities and sinking fund requirements for the years 2000 through 2004 are summarized as follows:

(Millions of Dollars)

Year	Amount	Year	Amount
2000	$302.5	2003	$ 289.3
2001	32.5	2004	178.8
2002	32.5		

Approximately $23.6 million of the portion of long-term debt payable in 2000 may be satisfied by either deposit and cancellation of bonds issued upon the basis of property additions or bond retirement credits, or by deposit of cash with the Trustee.

On August 7, 1996 the City of Charleston executed 30-year electric and gas franchise agreements with SCE&G. In consideration for the electric franchise agreement, SCE&G is paying the City $25 million over seven years (1996-2002) and has donated to the City the existing transit assets in Charleston. The $25 million is included in electric plant-in-service. In settlement of environmental claims the City may have had against SCE&G involving the Calhoun Park area, where SCE&G and its predecessor companies operated a manufactured gas plant until the 1960's, SCE&G paid the City $26 million over a four-year period (1996-1999). Such amount was deferred (see Note 1L) and included in "Long-Term Debt."

SCE&G has three-year revolving lines of credit totaling $75 million, in addition to other lines of credit, that provide liquidity for issuance of commercial paper. The three-year lines of credit provide back-up liquidity when commercial paper outstanding is in excess of $175 million. The long-term nature of the lines of credit allow commercial paper in excess of $175 million to be classified as long-term debt. SCE&G's commercial paper outstanding totaled $143.1 million and $125.2 million at December 31, 1999 and 1998 at weighted average interest rates of 6.63 percent and 5.32 percent, respectively.

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

The Company has a credit agreement with banks totaling $300 million for a three-year term loan. The unused amount at December 31, 1999 was $300 million (See Note 13).

4. FUEL FINANCINGS

Nuclear and fossil fuel inventories and sulfur dioxide emission allowances are financed through the issuance by Fuel Company of short-term commercial paper. These short-term borrowings are supported by a three-year revolving credit agreement which expires December 19, 2000. The credit agreement provides for a maximum amount of $125 million that may be outstanding at any time. Since the credit agreement expires within one year, commercial paper amounts outstanding have been classified as short-term debt instead of the long-term classification of prior years.

Commercial paper outstanding totaled $70.2 million and $66.0 million at December 31, 1999 and 1998 at weighted average interest rates of 6.44 percent and 5.45 percent, respectively.

5. COMMON EQUITY

The changes in "Common Stock," without par value, during 1999, 1998 and 1997 are summarized as follows:

	Number of Shares	Millions of Dollars
Balance December 31, 1996	106,175,273	$1,125.3
Issuance of common stock	1,145,840	27.6
Balance December 31, 1997	107,321,113	1,152.9
Repurchase of common stock	(3,748,490)	(110.0)
Balance December 31, 1998	103,572,623	1,042.9
Changes in common stock	–	–
Balance December 31, 1999	103,572,623	$1,042.9

The Restated Articles of Incorporation of the Company do not limit the dividends that may be payable on its common stock. However, the Restated Articles of Incorporation of SCE&G and the Indenture underlying its First and Refunding Mortgage Bonds contain provisions that, under certain circumstances, could limit the payment of cash dividends on its common stock. In addition, with respect to hydroelectric projects, the Federal Power Act requires the appropriation of a portion of certain earnings therefrom. At December 31, 1999 approximately $29.7 million of retained earnings were restricted by this requirement as to payment of cash dividends on SCE&G's common stock.

Cash dividends on common stock were declared during 1999, 1998 and 1997 at an annual rate per share of $1.32, $1.54 and $1.51, respectively.

6. PREFERRED STOCK

The call premium of the respective series of preferred stock in no case exceeds the amount of the annual dividend. Retirements under sinking fund requirements are at par values.

The aggregate annual amount of purchase fund or sinking fund requirements for preferred stock for the years 2000 through 2004 is $2.8 million.

The changes in "Total Preferred Stock (Subject to purchase or sinking funds)" during 1999, 1998 and 1997 are summarized as follows:

	Number of Shares	Millions of Dollars
Balance December 31, 1996	706,102	$45.4
Shares redeemed:		
$100 par value	(202,812)	(20.3)
$50 par value	(252,196)	(12.6)
Balance December 31, 1997	251,094	12.5
Shares redeemed:		
$50 par value	(11,042)	(0.5)
Balance December 31, 1998	240,052	12.0
Shares redeemed:		
$50 par value	(8,565)	(0.4)
Balance December 31, 1999	231,487	$11.6

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

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

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

7. INCOME TAXES

Total income tax expense for 1999, 1998 and 1997 is as follows:

(Millions of Dollars)	*1999*	*1998*	*1997*
Current taxes:			
Federal	$94.5	$114.8	$101.3
State	0.6	2.2	(5.4)
Total current taxes	95.1	117.0	95.9
Deferred taxes, net:			
Federal	6.1	2.3	3.5
State	1.5	2.0	0.3
Total deferred taxes	7.6	4.3	3.8
Investment tax credits:			
Deferred-State	13.4	14.3	19.0
Amortization of amounts deferred-State	(1.2)	(0.9)	(1.5)
Amortization of amounts deferred-Federal	(3.6)	(3.6)	(3.6)
Total investment tax credits	8.6	9.8	13.9
Total income tax expense	$111.3	$131.1	$113.6

The difference in total income tax expense and the amount calculated from the application of the statutory Federal income tax rate (35% for 1999, 1998 and 1997) to pre-tax income is reconciled as follows:

(Millions of Dollars)	1999	1998	1997
Net income	$179.0	$223.4	$220.7
Total income tax expenses:			
Charged to operating expenses	109.9	136.2	105.4
Charged (credited) to other items	1.4	(5.1)	8.2
Preferred stock dividends	7.4	7.5	9.2
Total pre-tax income	$297.7	$362.0	$343.5
Income taxes on above at statutory Federal income tax rate	$104.2	$126.7	$120.2
Increases (decreases) attributed to:			
State income taxes (less federal income tax effect)	9.3	11.4	8.1
Deferred income tax reversal at higher than statutory rate	(3.7)	(3.6)	(4.2)
Amortization of Federal investment tax credits	(3.6)	(3.6)	(3.6)
Allowance for equity funds used during construction	(1.1)	(2.8)	(2.5)
Non-deductible book basis for assets sold	3.5	–	–
Other differences, net	2.7	3.0	(4.4)
Total income tax expense	$111.3	$131.1	$113.6

The tax effects of significant temporary differences comprising the Company's net deferred tax liability of $789.2 million at December 31, 1999 and $606.2 million at December 31, 1998 (see Note 1I), are as follows:

(Millions of Dollars)	1999	1998
Deferred tax assets:		
Unamortized investment tax credits	$62.8	$66.9
Cycle billing	15.5	20.6
Early retirement programs	14.8	13.0
Deferred compensation	8.8	7.4
Other postretirement benefits	36.6	32.9
Other	19.0	23.7
Total deferred tax assets	157.5	164.5
Deferred tax liabilities:		
Property, plant and equipment	665.4	658.8
Pension expense	50.7	39.2
Research and experimentation	27.3	32.5
Reacquired debt	7.6	7.5
Investments in equity securities	184.7	20.5
Other	11.0	12.2
Total deferred tax liabilities	946.7	770.7
Net deferred tax liability	$789.2	$606.2

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

8. FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1999 and 1998 are as follows:

(Millions of Dollars)	1999		1998	
	Carrying Amt.	Est. Fair Value	Carrying Amt.	Est. Fair Value
Assets:				
Cash and temporary cash investments	$116.0	$116.0	$62.0	$62.0
Investments	941.8	1,952.4	409.7	464.7
Liabilities:				
Short-term borrowings	266.5	266.5	194.4	194.4
Long-term debt	1,865.8	1,830.7	1,729.7	1,869.2
Preferred stock (subject to purchase or sinking funds)	11.6	8.5	12.0	11.3

The information presented herein is based on pertinent information available to the Company as of December 31, 1999 and 1998. Although the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such financial instruments have not been comprehensively revalued since December 31, 1999, and the current estimated fair value may differ significantly from the estimated fair value at that date.

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

- Cash and temporary cash investments, including commercial paper, repurchase agreements, treasury bills and notes, are valued at their carrying amount.
- Fair values of investments and long-term debt are based on quoted market prices of the instruments or similar instruments, or for those instruments for which there are no quoted market prices available, fair values are based on net present value calculations. Settlement of long-term debt may not be possible or may not be a prudent management decision.
- Short-term borrowings are valued at their carrying amount.
- The fair value of preferred stock (subject to purchase or sinking funds) is estimated on the basis of market prices.
- Potential taxes and other expenses that would be incurred in an actual sale or settlement have not been taken into consideration.

At December 31, 1999, SCANA Communications Holdings, Inc. (SCH), a wholly owned subsidiary of SCI, held the following investments in ITC Holding Company (ITC) and its affiliates:

- Powertel, Inc. (Powertel) is a publicly traded company that owns and operates personal communications service (PCS) systems in several major Southeastern markets. SCH owns approximately 4.9 million common shares of Powertel at a cost of approximately $72.8 million. Powertel common stock closed at $100.375 per share on December 31, 1999, resulting in a pre-tax unrealized holding gain of $417.8 million. The after-tax amount of such gain is included in "Other Comprehensive Income." In addition, SCH owns the following series of non-voting convertible preferred shares, at the approximate cost noted: 100,000 shares series B ($75.1 million), 50,000 shares series D ($22.5 million) and 50,000 shares 6.5 percent series E ($75.0 million). Dividends on Prefered series E shares are paid in common shares of Powertel. Preferred series B shares are convertible in March 2002 at a conversion price of $16.50 per common share or approximately 4.5 million common shares. Preferred series D shares are convertible in March 2002 at a conversion price of $12.75 per common share or approximately 1.7 million common shares. Preferred series E shares are convertible in June 2003 at a conversion price of $22.01 per common share or approximately 3.4 million common shares. The market value of the convertible preferred shares of Powertel is not readily determinable. However, as converted, the market value of the underlying common shares for the preferred shares was approximately $975.3 million at December 31, 1999, resulting in an unrecorded pre-tax holding gain of $802.7 million.

- ITC^DeltaCom, Inc. (ITCD) is a fiber optic telecommunications provider. SCH owns approximately 5.1 million common shares of ITCD at a cost of approximately $42.7 million. ITCD common stock closed at $27.625 per share on December 31, 1999, resulting in a pre-tax unrealized holding gain of $98.3 million. The after-tax amount of such gain is included in "Other Comprehensive Income." In addition, SCH owns 1,480,771 shares of series A preferred stock of ITCD at a cost of approximately $11.2 million. Series A preferred shares are convertible in March 2002 into 2,961,542 shares of ITCD common stock. The market value of series A preferred stock of ITCD is not readily determinable. However, as converted the market value of the underlying common stock for the series A preferred stock was approximately $81.8 million at December 31, 1999, resulting in an unrecorded pre-tax holding gain of $70.6 million.

- Knology Holdings, Inc. (Knology) is a broad-band service provider of cable television, telephone and internet services. SCH owns 71,050 units of Knology. Each unit consists of one 11.875% Senior Discount Note due 2007 and one warrant entitling the holder to purchase .003734 shares of preferred stock of Knology. The cost of this investment was approximately $40 million. In November 1999, SCH exercised 753 warrants to purchase 753 series A preferred shares of Knology at a cost of $1.1 million. Immediately following this purchase, Knology preferred shares split 600 for one, resulting in SCH's ownership of 451,800 shares. The market value of this investment is not readily determinable.

- ITC has an ownership interest in several Southeastern communications companies. SCH owns approximately 3.1 million common shares, 645,153 series A convertible preferred shares, and 133,664 series B convertible preferred shares of ITC. These investments cost approximately $7.1 million, $8.9 million, and $5.0 million, respectively. Series A and series B preferred shares are convertible in March 2002 into ITC common shares on a four to one basis. The market value of these investments is not readily determinable.

On November 10, 1999 substantially all of the assets of SCANA Propane Gas, Inc., SCANA Propane Storage, Inc., and C&T Pipeline, LLC (a wholly owned subsidiary of Pipeline Corporation) were sold for approximately $94.5 million. The resulting after-tax gain of $29.9 million was recorded in "Other Income." Proceeds from the sale were used to reduce short-term debt.

9. SHORT-TERM BORROWINGS

The Company pays fees to banks as compensation for its committed lines of credit. Commercial paper borrowings are for 270 days or less. Details of lines of credit (including uncommitted lines of credit) and short-term borrowings, excluding amounts classified as long-term (Note 3), at December 31, 1999 and 1998 and for the years then ended are as follows:

(Millions of Dollars)	*1999*	*1998*
Authorized lines of credit at year-end	$558.3	$513.0
Unused lines of credit at year-end	$505.0	$443.8
Short-term borrowings outstanding at year-end:		
Bank loans	$53.2	$69.2
Weighted average interest rate	7.80%	6.66%
Commercial paper	$213.3	$125.2
Weighted average interest rate	6.63%	5.32%

10. COMMITMENTS AND CONTINGENCIES

A. Lake Murray Dam Reinforcement

On October 15, 1999, the FERC notified SCE&G of its agreement with SCE&G's plan to reinforce Lake Murray Dam in order to maintain the lake in case of an extreme earthquake. SCE&G and FERC have been discussing possible reinforcement alternatives for the dam over the past several years as part of SCE&G's ongoing hydroelectric operating license with FERC. Costs of the alternatives being discussed range up to approximately $195 million. Although any costs incurred by SCE&G would be recoverable through electric rates, SCE&G also is exploring alternative sources of funding. The project is to be completed by the end of 2003.

B. Nuclear Insurance

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

SCE&G currently maintains policies (for itself and on behalf of Santee Cooper) with Nuclear Electric Insurance Limited (NEIL) and American Nuclear Insurers (ANI) providing combined property and decontamination insurance coverage of $2.0 billion for any losses at Summer Station. SCE&G pays annual premiums and, in addition, could be assessed a retroactive premium not to exceed five times its annual premium in the event of property damage loss to any nuclear generating facility covered under the NEIL program. Based on the current annual premium, this retroactive premium assessment would not exceed $3.3 million.

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

C. Environmental

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

In October 1996 the City of Charleston and SCE&G settled all environmental claims the City may have had against SCE&G involving the Calhoun Park area for a payment of $26 million over four years (1996-1999) by SCE&G to the City. SCE&G is recovering the amount of the settlement, which does not encompass site assessment and cleanup costs, through rates in the same manner as other amounts accrued for site assessments and cleanup. As part of the environmental settlement, SCE&G agreed to construct an 1,100 space parking garage on the Calhoun Park site and to transfer the facility to the City in exchange for a 20-year municipal bond backed by revenues from the parking garage and a mortgage on the parking garage. The total amount of the bond is not to exceed $16.9 million, the maximum expected project cost. The parking garage is currently under construction, and is scheduled for completion in the spring of 2000.

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

D. Franchise Agreement

See Note 3 for a discussion of the electric franchise agreement between SCE&G and the City of Charleston.

E. Claims and Litigation

The Company is engaged in various claims and litigation incidental to its business operations which management anticipates will be resolved without material loss to the Company. No estimate of the range of loss from these matters can be currently determined.

The Company and Westvaco each own a 50% interest in Cogen South LLC (Cogen). Cogen was formed to build and operate a cogeneration facility at Westvaco's Kraft Division Paper Mill in North Charleston, South Carolina. The facility began operations in March 1999. Financing for the facility of approximately $139.8 million was provided to Cogen by banks. On September 10, 1998, the contractor in charge of construction filed suit in South Carolina Circuit Court seeking approximately $52 million from Cogen, alleging that construction cost overruns relating to the facility were incurred and that the construction contract provides for recovery of these costs. In addition to Cogen, Westvaco, SCE&G and the Company are also named in the suit. The Company and the other defendants believe the suit is without merit and are mounting an appropriate defense. The Company does not believe that the resolution of this issue will have a material impact on its results of operations, cash flows or financial position.

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

11. SEGMENT OF BUSINESS INFORMATION

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

Gas Distribution, comprised of SCE&G's local distribution operations, is engaged in the purchase and sale, primarily at retail, of natural gas. These operations extend to 30 counties in South Carolina covering approximately 21,000 square miles. Gas Transmission is comprised of Pipeline Corporation, which is engaged in the purchase, transmission and sale of natural gas on a wholesale basis to distribution companies (including SCE&G), and directly to industrial customers in 40 counties throughout South Carolina. Pipeline Corporation also owns LNG liquefaction and storage facilities. Both of these segments are regulated by the PSC. Energy Marketing markets electricity, natural gas and other light hydrocarbons, primarily in the Southeast. Energy Marketing, doing business as SCANA Energy, also markets natural gas in Georgia's deregulated natural gas market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company records intersegment sales and transfers of electricity and gas based on rates established by the appropriate regulatory authority. Non-regulated sales and transfers are recorded at current market prices.

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

Disclosure of Reportable Segments (Millions of Dollars)

1999	Electric Operations	Gas Distribution	Gas Transmission	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,226	$234	$188	$431	$75	$(504)	$1,650
Intersegment Revenue	308	5	154	–	11	(478)	–
Operating Income (Loss)	288	17	14	–	(4)	(5)	310
Interest Expense	12	n/a	4	5	23	98	142
Depreciation & Amortization	148	13	7	1	13	(14)	168
Income Tax Expense/(Benefit)	1	n/a	7	(26)	21	107	110
Net Income	6	n/a	14	(49)	22	186	179
Segment Assets	4,751	399	253	144	1,269	(805)	6,011
Expenditures for Assets	201	19	8	4	30	(1)	261
Deferred Tax Assets	6	n/a	3	2	4	1	16

1998	Electric Operations	Gas Distribution	Gas Transmission	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,220	$226	$185	$568	$69	$(636)	$1,632
Intersegment Revenue	286	5	145	–	8	(444)	–
Operating Income (Loss)	319	21	20	–	(5)	(10)	345
Interest Expense	11	n/a	4	–	19	89	123
Depreciation & Amortization	126	12	7	–	11	(11)	145
Income Tax Expense/(Benefit)	1	n/a	8	(8)	(2)	137	136
Net Income	6	n/a	16	(14)	(4)	219	223
Segment Assets	4,600	381	239	73	764	(776)	5,281
Expenditures for Assets	205	19	11	4	56	8	303
Deferred Tax Assets	5	n/a	3	–	9	5	22

1997	Electric Operations	Gas Distribution	Gas Transmission	Energy Marketing	All Other	Adjustments/ Eliminations	Consolidated Total
External Customer Revenue	$1,103	$231	$188	$207	$88	$(294)	$1,523
Intersegment Revenue	124	3	152	2	50	(331)	–
Operating Income (Loss)	280	22	21	–	(4)	(5)	314
Interest Expense	12	n/a	4	–	14	91	121
Depreciation & Amortization	135	11	6	1	28	(28)	153
Income Tax Expense/(Benefit)	1	n/a	7	–	9	88	105
Net Income	5	n/a	18	(1)	19	180	221
Segment Assets	4,417	364	243	40	614	(746)	4,932
Expenditures for Assets	189	15	18	–	70	(4)	288
Deferred Tax Assets	6	n/a	5	–	(1)	15	25

Revenues and assets from segments below the quantitative thresholds are attributable to SCE&G's transit operations, which are regulated by the PSC, and to nine other wholly owned subsidiaries of the Company. These subsidiaries conduct non-regulated operations in the electric, natural gas and telecommunications industries. None of these subsidiaries met any of the quantitative thresholds for determining reportable segments in 1999, 1998 or 1997. Significant non-cash activities included the Charleston electric franchise agreement and the Charleston environmental agreement related to a manufactured gas plant site.

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

The Consolidated Financial Statements report operating revenues, comprised of the reportable segments, except Energy Marketing, and the non-reportable transit operations segment. Energy Marketing's revenues and revenues from other non-reportable segments are included in Other Income. Therefore, the adjustments to total revenue remove revenues from non-regulated segments. Adjustments to Net Income consists of SCE&G's unallocated net income.

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

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

12. QUARTERLY FINANCIAL DATA (UNAUDITED) (MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues	$397	$375	$480	$398	$1,650
Operating income	78	65	109	58	310
Net income	37	24	67	51	179
Earnings per weighted average share of common stock as reported	.36	.23	.65	.49	1.73

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues	$406	$387	$474	$365	$1,632
Operating income	91	74	120	60	345
Net income	64	42	86	31	223
Earnings per weighted average share of common stock as reported	.60	.40	.82	.30	2.12

13. COMPLETED ACQUISITION

On February 10, 2000, the Company completed its acquisition of Public Service Company of North Carolina, Inc. (PSNC) and became a registered public utility holding company under PUHCA. The transaction is being accounted for as a purchase. The transaction is valued at approximately $900 million, including the assumption of debt, and was financed through the issuance of two year floating rate notes and bank credit agreements totaling $700 million.

Statements included in this discussion and analysis (or elsewhere in this annual report) which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: (1) that the information is of a preliminary nature and may be subject to further and/or continuing review and adjustment, (2) changes in the utility regulatory environment, (3) changes in the economy in areas served by SCANA's subsidiaries, (4) the impact of competition from other energy suppliers, (5) the management of the Company's operations, (6) growth opportunities for the Company's regulated and diversified subsidiaries, (7) the results of financing efforts, (8) changes in the Company's accounting policies, (9) weather conditions in areas served by the Company's subsidiaries, (10) performance of the telecommunications companies in which the Company has made significant investments, (11) inflation, (12) changes in environmental regulations and (13) the other risks and uncertainties described from time to time in the Company's periodic reports filed with the SEC. The Company disclaims any obligation to update any forward-looking statements.

COMPETITION

The electric utility industry continues a major transition that is resulting in expanded market competition and less regulation. Deregulation of electric wholesale and retail markets is creating opportunities to compete for new and existing customers and markets. As a result, profit margins and asset values of some utilities could be adversely affected. Legislative initiatives at the Federal and state levels are being considered and, if enacted, could mandate market deregulation. The pace of deregulation, future prices of electricity, and the regulatory actions which may be taken by the PSC, the North Carolina Utilities Commission (NCUC), the FERC and the SEC in response to the changing environment cannot be predicted. However, the FERC, in issuing Order 888 in April 1996, accelerated competition among electric utilities by providing for open access to wholesale transmission service. Order 888 requires utilities under FERC jurisdiction that own, control or operate transmission lines to file nondiscriminatory open access tariffs that offer to others the same transmission service they provide themselves. The FERC has also permitted utilities to seek recovery of wholesale stranded costs from departing customers by direct assignment. Approximately two percent of SCE&G's electric revenues is under FERC jurisdiction for the purpose of setting rates for wholesale service. Legislation is pending in South Carolina that would deregulate the state's retail electric market and enable customers to choose their supplier of electricity. The Company is not able to predict whether the legislation will be enacted and, if it is, the conditions it will impose on utilities that currently operate in the state and future market participants.

The Company is aggressively pursuing actions to position itself strategically for the transformed environment. To enhance its flexibility and responsiveness to change, one of SCANA's wholly owned subsidiaries, SCANA Energy Marketing (Energy Marketing), is aggressively marketing natural gas to residential and commercial customers in Georgia's newly deregulated natural gas market. Management believes that successfully competing in the Georgia market will provide necessary experience and potential market share for a deregulated electric industry. In addition, SCANA's electric and gas utility, SCE&G, has undertaken a variety of initiatives, including the accelerated recovery of its electric regulatory assets. SCE&G has established open access transmission tariffs and is selling bulk power to wholesale customers at market-based rates. A significant new management information system was implemented in 1998, and a new customer information and billing system was implemented in 1999. Marketing of services to commercial and industrial customers has increased significantly. SCE&G has obtained long term power supply contracts with a significant portion of its industrial customers. The Company believes that these actions as well as numerous others that have been and will be taken demonstrate its ability and commitment to succeed in the evolving operating environment.

Regulated public utilities are allowed to record as assets some costs that would be expensed by other enterprises. If deregulation or other changes in the regulatory environment occur, the Company may no longer be eligible to apply this accounting treatment and may be required to eliminate such regulatory assets from its balance sheet. Although the potential effects of deregulation cannot be determined at present, discontinuation of the accounting treatment could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded. It is expected that cash flows and the financial position of the Company would not be materially affected by the discontinuation of the accounting treatment. The Company reported approximately $201 million and $64 million of regulatory assets and liabilities, respectively, including amounts recorded for deferred income tax assets and liabilities of approximately $131 million and $48 million, respectively, on its balance sheet at December 31, 1999.

The Company's generation assets are exposed to considerable financial risks in a deregulated electric market. If market prices for electric generation do not produce adequate revenue streams and the enabling legislation or regulatory actions do not provide for recovery of the resulting stranded costs, the Company could be required to write down its investment in these assets. The Company cannot predict whether any write-downs will be necessary and, if they are, the extent to which they would adversely affect the Company's results of operations in the period in which they would be recorded. As of December 31, 1999, the Company's net investment in fossil/hydroelectric generation and nuclear generation assets was $1,267.5 million and $602.3 million, respectively.

North Carolina Gas Market

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

Georgia Retail Gas Market

Energy Marketing exceeded projections for acquiring customers in Georgia's natural gas market. At December 31, 1999, Energy Marketing had approximately 431,000 customers compared to approximately 78,000 at December 31, 1998. As a result, expenses were significantly higher than expected. For the 12 months ended December 31, 1999, Energy Marketing incurred losses (net of taxes) of approximately $47.1 million. Startup costs were expensed as incurred. A significant portion of those costs came from a $50 per customer promotional sign-up offer, which expired April 15, 1999. Other significant costs were incurred to establish local offices, call centers, and billing and collection functions. The level of future revenues and expenditures is dependent on several factors that cannot be reasonably predicted. These factors include Energy Marketing's ability to retain customers and market share, the intensity of competition as it continues to develop, the weather, the margin Energy Marketing is able to achieve on gas sales and its ability to find industrial interruptible customers to purchase available capacity. Energy Marketing anticipates breaking even in Georgia for the year 2000.

Proposed Interstate Pipeline

On April 14, 1999, Pipeline Corporation, a wholly owned subsidiary of the Company, announced plans to develop an interstate natural gas pipeline to ensure adequate supplies to growing gas markets in South Carolina and North Carolina. Details of the proposal are being finalized. Construction of the project will require approval by the FERC and other federal and state agencies. Contingent upon development of a market in North Carolina, Pipeline Corporation plans to file its application with FERC.

LIQUIDITY AND CAPITAL RESOURCES

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

SCANA and Westvaco each own a 50 percent interest in Cogen South LLC (Cogen). Cogen was formed to build and operate a cogeneration facility at Westvaco's Kraft Division Paper Mill in North Charleston, South Carolina. The facility began operations in March 1999. Financing for the facility of approximately $139.8 million was provided to Cogen by banks. On December 30, 1998, SCANA provided a capital contribution of approximately $15.5 million to Cogen. On September 10, 1998, the contractor in charge of construction filed suit in Circuit Court seeking approximately $52 million from Cogen, alleging that it incurred construction cost overruns relating to the facility, and that the construction contract provides for recovery of these costs. In addition to Cogen, Westvaco, SCE&G and SCANA were also named in the suit. SCANA and the other defendants believe the suit is without merit and are mounting an appropriate defense. SCANA does not believe that the resolution of this issue will have a material impact on its results of operations, cash flows or financial position.

On December 2, 1999 an unsuccessful bidder for the purchase of the propane gas assets of SCANA filed suit against SCANA in Circuit Court seeking unspecified damages. The suit alleges the existence of a contract for the sale of assets to the plaintiff and various causes of action associated with that contract. The Company is confident in its position and intends to vigorously defend the lawsuit.

On August 7, 1996 the City of Charleston executed 30-year electric and gas franchise agreements with SCE&G. In consideration for the electric franchise agreement, SCE&G is paying the City $25 million over seven years (1996 through 2002) and has donated to the City the existing transit assets in Charleston. The $25 million is included in electric plant-in-service. In settlement of environmental claims the City may have had against SCE&G involving the Calhoun Park area, where SCE&G and its predecessor companies operated a manufactured gas plant until the 1960's, SCE&G paid the City $26 million over a four-year period (1996 through 1999). As part of the environmental settlement, SCE&G has agreed to construct an 1,100 space parking garage on the Calhoun Park site and to transfer the facility to the City in exchange for a 20-year municipal bond backed by revenues from the parking garage and a mortgage on the parking garage. The total amount of the bond is not to exceed $16.9 million, the maximum expected project cost. The parking garage is currently under construction, and is scheduled for completion in the spring of the year 2000.

The revised estimated primary cash requirements for 2000, excluding requirements for fuel liabilities and short-term borrowings, and the actual primary cash requirements for 1999 are as follows:

(Millions of Dollars)	*2000*	*1999*
Property additions and construction expenditures, net of allowance for funds used during construction	$367	$308
Nuclear fuel expenditures	31	5
Maturing obligations, redemptions and sinking and purchase fund requirements	286	158
Total	$684	$471

Approximately 51 percent of total cash requirements (after payment of dividends) was provided from internal sources in 1999 as compared to 45 percent in 1998.

On February 22, 1999 the NCUC approved PSNC's application to use expansion funds to extend natural gas service into Alexander County, North Carolina and authorized disbursements from the fund of approximately $4 million. Most of Alexander County lies within PSNC's franchised service territory and does not currently have natural gas service. PSNC estimates that the project will be completed prior to April 2000 at a cost of approximately $6.2 million.

SCANA has in effect a medium-term note program for the issuance from time to time of unsecured medium-term debt securities. At December 31, 1999, SCANA had registered with the SEC and available for issuance $1.0 billion under this program. The proceeds from the sales of these securities may be used to refinance bank borrowings and other privately sold indebtedness incurred in connection with the acquisition of PSNC. In addition, the proceeds may be used to fund additional business activities in nonutility subsidiaries, to reduce short-term debt incurred in connection therewith or for general corporate purposes.

SCE&G's First and Refunding Mortgage Bond Indenture, dated April 1, 1945 (Old Mortgage), contains provisions prohibiting the issuance of additional bonds thereunder (Class A Bonds) unless net earnings (as therein defined) for 12 consecutive months out of the 18 months prior to the month of issuance are at least twice the annual interest requirements on all Class A Bonds to be outstanding (Bond Ratio). For the year ended December 31, 1999 the Bond Ratio was 6.01. The Old Mortgage allows the issuance of additional Class A Bonds to an additional principal amount equal to (i) 70 percent of unfunded net property additions (which unfunded net property additions totaled approximately $1,250 million at December 31, 1999), (ii) retirements of Class A Bonds (which retirement credits totaled $91.8 million at December 31, 1999), and (iii) cash on deposit with the Trustee.

SCE&G has a bond indenture dated April 1, 1993 (New Mortgage) covering substantially all of its electric properties under which its future mortgage-backed debt (New Bonds) will be issued. New Bonds are issued under the New Mortgage on the basis of a like principal amount of Class A Bonds issued under the Old Mortgage which have been deposited with the Trustee of the New Mortgage (of which $715 million were available for such purpose at December 31, 1999). New Bonds will be issuable under the New Mortgage only if adjusted net earnings (as therein defined) for 12 consecutive months out of the 18 months immediately preceding the month of issuance are at least twice the annual interest requirements on all outstanding bonds (including Class A Bonds) and New Bonds to be outstanding (New Bond Ratio). For the year ended December 31, 1999 the New Bond Ratio was 5.95.

The following additional financing transactions have occurred since January 1, 1999:

- On March 9, 1999 SCE&G issued $100 million of First Mortgage Bonds having an annual interest rate of 6 1/8 percent and maturing on March 1, 2009. The proceeds from the sale of these bonds were used to reduce short-term debt.
- On June 29, 1999 SCANA issued $150 million one-year floating rate medium-term notes maturing on July 14, 2000. The interest rate on the notes is reset monthly and is based on a one-month LIBOR plus 35 basis points. The proceeds from these notes were used to reduce short-term bank debt.
- On July 15, 1999 SCANA paid at maturity all $43 million principal amount outstanding of its 7.17 percent medium-term notes.
- On October 8, 1999 SCANA paid at maturity all $30 million principal amount outstanding of its 6.6 percent medium-term notes.
- On November 1, 1999 SCANA's shelf registration statement filed with the SEC became effective, providing for the issuance of up to an additional $1 billion in medium-term notes.
- On December 1, 1999 SCANA signed a credit agreement with banks for a maximum of $300 million for a three-year term loan, all of which was drawn on February 10, 2000 to consummate SCANA's acquisition of PSNC.
- On February 8, 2000 SCANA issued $400 million of two-year floating rate notes maturing February 8, 2002. The interest rate on the notes is reset quarterly based on a three-month LIBOR plus 50 basis points. The proceeds from these privately sold notes were used to consummate SCANA's acquisition of PSNC.

Without the consent of at least a majority of the total voting power of SCE&G's preferred stock, SCE&G may not issue or assume any unsecured indebtedness if, after such issue or assumption, the total principal amount of all such unsecured indebtedness would exceed 10 percent of the aggregate principal amount of all of SCE&G's secured indebtedness and capital and surplus; however, no such consent is required to enter into agreements for payment of principal, interest and premium for securities issued for pollution control purposes.

Pursuant to Section 204 of the Federal Power Act, SCE&G and GENCO must obtain FERC authority to issue short-term debt. The FERC has authorized SCE&G to issue up to $250 million of unsecured promissory notes or commercial paper with maturity dates of 12 months or less, but not later than December 31, 2001. GENCO has not sought such authorization.

At December 31, 1999 SCE&G had $285 million of authorized lines of credit which includes a credit agreement for a maximum of $250 million to support the issuance of commercial paper. Unused lines of credit at December 31, 1999 totaled $285 million. SCE&G's commercial paper outstanding at December 31, 1999 and December 31, 1998 was $143.1 million and $125.2 million, respectively. In addition, Fuel Company has a credit agreement for a maximum of $125 million with the full amount available at December 31, 1999. The credit agreement supports the issuance of short-term commercial paper for the financing of nuclear and fossil fuels and sulfur dioxide emission allowances. Fuel Company commercial paper outstanding at December 31, 1999 was $70.2 million. This commercial paper and amounts outstanding under the revolving credit agreement, if any, are guaranteed by SCE&G.

SCE&G's Restated Articles of Incorporation prohibit issuance of additional shares of preferred stock without consent of the preferred stockholders unless net earnings (as defined therein) for the 12 consecutive months immediately preceding the month of issuance are at least one and one-half times the aggregate of all interest charges and preferred stock dividend requirements (Preferred Stock Ratio). For the year ended December 31, 1999 the Preferred Stock Ratio was 1.79.

PSNC has committed lines of credit with five commercial banks which vary monthly depending upon seasonal requirements and a five-year revolving line of credit with one bank. These lines of credit range from a minimum of $55 million to a winter-period maximum of $75 million. PSNC also has total uncommitted lines of credit ranging from $70 million to $100 million.

On May 21, 1999 PSNC filed with the SEC a registration statement (amended on June 7, 1999) covering up to an aggregate of $150 million of senior unsecured debt securities. At September 30, 1999 $150 million remained on the shelf registration.

On May 11, 1999 SCANA registered 112,202,217 shares of SCANA common stock for issuance to complete its acquisition of PSNC. On September 17, 1999 an additional 4,000,000 shares of SCANA common stock were registered for sale under the SPSP. On September 9, 1999 an additional 3,000,000 shares of SCANA common stock were registered for sale under the Investor Plus Plan. During 1999, shares for the SPSP and the Investor Plus Plan were purchased on the open market.

The Company anticipates that its 2000 cash requirements of $472 million will be met through internally generated funds (approximately 51%, after payment of dividends), and the incurrence of additional short-term and long-term indebtedness. Sales of additional equity securities may also be made. The Company expects that it has or can obtain adequate sources of financing to meet its projected cash requirements for the next 12 months and for the foreseeable future.

On September 21, 1999 SCE&G announced a $180 million gas turbine generator project in Aiken County, South Carolina. Two combined-cycle turbines will burn natural gas to produce 300 megawatts of new electric generation and use exhaust heat to replace coal-fired steam that powers two existing 75 megawatt turbines at the Urquhart Generating Station. The turbine project is scheduled to be completed by June 2002.

On October 15, 1999 the FERC notified SCE&G of its agreement with SCE&G's plan to reinforce Lake Murray Dam in order to maintain the lake in case of an extreme earthquake. SCE&G and FERC have been discussing possible reinforcement alternatives for the dam over the past several years as part of SCE&G's ongoing hydroelectric operating license with FERC. Costs of the alternatives being discussed range up to approximately $195 million. Although any costs incurred by SCE&G would be recoverable through electric rates, SCE&G also is exploring alternative sources of funding. The project is to be completed by the end of 2003.

ENVIRONMENTAL MATTERS

The Clean Air Act requires electric utilities to reduce emissions of sulfur dioxide and nitrogen oxide substantially by the year 2000. These requirements are being phased in over two periods. The first phase had a compliance date of January 1, 1995 and the second, January 1, 2000. The Company's facilities did not require modifications to meet the requirements of Phase I. The Company is meeting the Phase II requirements through the burning of natural gas and/or lower sulfur coal in its generating units and the purchase and use of sulfur dioxide emission allowances. Low nitrogen oxide burners have been installed to reduce nitrogen oxide emissions to the levels required by Phase II. Air toxicity regulations for the electric generating industry are likely to be proposed in 2000.

SCE&G and GENCO filed compliance plans with DHEC related to Phase II sulfur dioxide requirements in 1995 and Phase II nitrogen oxide requirements in 1999, 1998 and 1997. The Company currently estimates that air emissions control equipment will require capital expenditures of $141 million over the 2000-2004 period to retrofit existing facilities, with increased operation and maintenance costs of approximately $18 million per year. To meet compliance requirements through the year 2009, the Company anticipates total capital expenditures of approximately $146 million.

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

In 1998 DHEC promulgated regulations for the disposal of industrial solid waste as directed by the South Carolina Solid Waste Policy and Management Act of 1991. These regulations may significantly increase SCE&G's and GENCO's costs of construction and operation of existing and future ash management facilities.

The Company has an environmental assessment program to identify and assess current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the expenditures, if any, deemed necessary to investigate and clean up each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate primarily to regulated operations. Such amounts are deferred and amortized with recovery provided through rates. The Company has also recovered portions of its environmental liabilities through settlements with various insurance carriers. As of December 31, 1998, the Company has recovered all amounts previously deferred for its electric operations. The Company expects to recover all deferred amounts related to its gas operations by December 2005. Deferred amounts, net of amounts recovered through rates and insurance settlements, totaled $23.7 million and $21.3 million at December 31, 1999 and 1998, respectively. The deferral includes the estimated costs associated with the matters discussed below.

- In September 1992 the EPA notified SCE&G, the City of Charleston and the Charleston Housing Authority of their potential liability for the investigation and cleanup of the Calhoun Park area site in Charleston, South Carolina. This site encompasses approximately 30 acres and includes properties which were locations for industrial operations, including a wood preserving (creosote) plant, one of SCE&G's decommissioned manufactured gas plants (MGP), properties owned by the National Park Service and the City of Charleston, and private properties. The site has not been placed on the National Priorities List, but may be added in the future. The PRPs have negotiated an administrative order by consent for the conduct of a Remedial Investigation/Feasibility Study and a corresponding Scope of Work. Field work began in November 1993, and the EPA approved a Remedial Investigation Report in February 1997 and a Feasibility Study Report in June 1998. In July 1998, the EPA approved SCE&G's Removal Action Work Plan for soil excavation. SCE&G completed Phase One of the Removal Action in 1998 at a cost of approximately $1.5 million. Phase Two, which cost approximately $3.5 million, included excavation and installation of several permanent barriers to mitigate coal tar seepage. On September 30, 1998 a Record of Decision, was issued which sets forth the EPA's view of the extent of each PRP's responsibility for site contamination and the level to which the site must be remediated. SCE&G estimates that the Record of Decision will result in costs of approximately $13.3 million, of which approximately $4 million remains. On January 13, 1999 the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action directing SCE&G to design and carry out a plan of remediation for the Calhoun Park site. The Order is temporarily stayed pending further negotiations between SCE&G and the EPA. However, SCE&G submitted a Comprehensive Remedial Design Work Plan on December 17, 1999, and is proceeding with implementation pending agency approval.

  In October 1996 the City of Charleston and SCE&G settled all environmental claims the City may have had against SCE&G involving the Calhoun Park area for a payment of $26 million over four years (1996-1999) by SCE&G to the City. SCE&G is recovering the amount of the settlement, which does not encompass site assessment and cleanup costs, through rates in the same manner as other amounts accrued for site assessments and cleanup as discussed above. As part of the environmental settlement, SCE&G agreed to construct an 1,100 space parking garage on the Calhoun Park site and to transfer the facility to the City in exchange for a 20-year municipal bond backed by revenues from the parking garage and a mortgage on the parking garage. The total amount of the bond is not to exceed $16.9 million, the maximum expected project cost. The parking garage is currently under construction and is scheduled for completion in the spring of the year 2000.

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

  In addition, PSNC owns, or has owned, all or portions of six sites in North Carolina on which MGPs were formerly operated. Intrusive investigation (including drilling, sampling and analysis) has begun at only one site and the remaining sites have been evaluated using historical records and observations of current site conditions. These evaluations have revealed that MGP residuals are present or suspected at several of the sites. The North Carolina Department of Environment and Natural Resources has recommended that no further action be taken with respect to one site. In March and April 1994, an environmental consulting firm retained by PSNC estimated that the aggregate cost of investigating and monitoring the extent of environmental degradation and of implementing remedial procedures with respect to the remaining five sites may range from \$3.7 million to \$50.1 million over a 30-year period. PSNC is unable to determine the rate at which costs may be incurred over this time period. The estimated cost range has not been discounted to present value. The range includes cost of investigating and monitoring the sites at the low end of the range and investigating, monitoring and extensively remediating the sites at the high end of the range. PSNC's associated actual costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other PRPs.

An order of the NCUC dated May 11, 1993 authorized deferral accounting for all costs associated with the investigation and remediation of MGP sites. As of September 30, 1999, PSNC has recorded a liability and associated regulatory asset at the minimum amount of the range, or \$3.7 million.

The NCUC concluded that it is proper and in the public interest to allow recovery of prudently incurred clean-up costs from current customers as reasonable operating expenses even though the MGP sites are not used and useful in providing gas service to current customers. However, the NCUC will not allow recovery of carrying costs on deferred amounts.

REGULATORY MATTERS

On December 30, 1999 PSNC filed an application with the NCUC to extend natural gas service to Madison, Jackson and Swain Counties, North Carolina. PSNC estimates that the cost of this project will be approximately \$31.4 million and had requested the use of \$30 million from its expansion fund to make this project economically feasible. Pursuant to state statutes, the NCUC required PSNC to forfeit its exclusive franchises to serve six counties in western North Carolina effective January 31, 2000 because these counties were not receiving any natural gas service. Madison, Jackson and Swain Counties were included in the forfeiture order. PSNC has requested reassignment of the exclusive franchises for Madison, Jackson and Swain Counties to PSNC in its request to provide service to these counties.

On September 14, 1999 the PSC approved an accelerated capital recovery plan for SCE&G's Cope Generating Station. The plan will be implemented beginning January 1, 2000 for a three-year period. The PSC approved an accelerated capital recovery methodology wherein SCE&G will increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates. The amount of the accelerated depreciation will be determined by SCE&G based on the level of revenues and operating expenses, not to exceed \$36 million annually without the approval of the PSC. Any unused portion of the \$36 million in any given year could be carried forward for possible use in the subsequent year. The accelerated capital recovery plan will be accomplished through existing customer rates.

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

On November 6, 1997 the NCUC issued an order permitting PSNC, on a two-year trial basis, to establish its commodity cost of gas for large commercial and industrial customers on the basis of market prices for natural gas. This procedure allows PSNC to manage its deferred gas costs balance better by ensuring that the amount paid for natural gas to serve these customers approximates the amount collected from them. PSNC has filed an application with the NCUC for authority to make this procedure permanent. The Carolina Utility Customers Association, Inc. (CUCA) has intervened in opposition of its continuance. The NCUC issued an order scheduling a hearing in February 2000 on PSNC's application, and authorized PSNC to continue to use this mechanism pending issuance of a final order sometime in 2000. While management cannot predict the outcome of PSNC's application, it does not expect the decision to have a material financial impact. PSNC will continue to establish a benchmark cost of gas for residential and commercial/small industrial customers pursuant to its existing procedures.

On January 9, 1996 the PSC issued an order granting SCE&G an increase in retail electric rates which were fully implemented by January 1997. The PSC authorized a return on common equity of 12.0 percent. The PSC also approved establishment of a Storm Damage Reserve Account capped at \$50 million to be collected through rates over a ten-year period. Additionally, the PSC approved accelerated recovery of a significant portion of SCE&G's electric regulatory assets (excluding deferred income tax assets) and the remaining transition obligation for postretirement benefits other than pensions, changing the amortization periods to allow recovery by the end of the year 2000. SCE&G's request to shift, for ratemaking purposes, approximately \$257 million of depreciation reserves from transmission and distribution assets to nuclear production assets was also approved. The Consumer Advocate and two other intervenors appealed certain issues in the order initially to the Circuit Court, which affirmed the PSC's decisions, and, subsequently, to the Supreme Court. In March 1998, SCE&G, the PSC, the Consumer Advocate and one of the other intervenors reached an agreement that provided for the reversal of the shift in depreciation reserves and the dismissal of the appeal of all other issues. The PSC also authorized SCE&G to adjust depreciation rates that had been approved in the 1996 rate order for its electric transmission, distribution and nuclear production properties to eliminate the effect of the depreciation reserve shift and to retroactively apply such depreciation rates to February 1996. As a result, a one-time reduction in depreciation expense of \$5.5 million after taxes was recorded in March 1998. The agreement does not affect retail electric rates. The FERC had previously rejected the transfer of depreciation reserves for rates subject to its jurisdiction. In September 1998, the Supreme Court affirmed the Circuit Court's rulings on the issues contested by the remaining intervenor.

On August 8, 1990 the PSC issued an order approving changes in Pipeline Corporation's gas rate design for sales for resale service and upholding the "value-of-service" method of regulation for its direct industrial service. After appeals to the Circuit Court initiated by direct industrial customers and a subsequent appeal to the Supreme Court initiated by Pipeline Corporation, the PSC order was reinstated. The Supreme Court held that the industrial customer group's appeal was premature and failed to exhaust administrative remedies. Additionally, the Supreme Court interpreted the ratemaking statutes of South Carolina to give discretion to the PSC in selecting the methodology to be used in setting rates for natural gas service. The PSC then held another hearing and issued its Order dated December 12, 1995 maintaining the present level of the maximum markup on industrial sales ("cap"). This Order was appealed to the Circuit Court by Pipeline Corporation and the industrial customer group with several other parties intervening, including the Consumer Advocate. On October 10, 1997, the Circuit Court issued an order in favor of the Consumer Advocate and the industrial customer group, which remanded the case to the PSC to determine an overall rate of return for Pipeline Corporation and a second order which ruled against Pipeline Corporation and affirmed the PSC's decision that the cap should not be increased. Several motions and appeals were filed subsequently at the Supreme Court. The Supreme Court has dismissed the appeals of the PSC and Pipeline Corporation from the first order without prejudice until the PSC completes proceedings on remand and held Pipeline Corporation's appeal of the second order in abeyance until the PSC completes proceeding on remand. The remanded case was heard by the PSC in June 1998. The PSC set an overall rate of return on equity for Pipeline Corporation of 12.5-16.5 percent. The South Carolina Energy Users Committee (SCEUC) appealed the order to the Circuit Court. On March 26, 1999, the Circuit Court dismissed the SCEUC's appeal on the grounds that it was not timely filed.

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

OTHER

At December 31, 1999 SCANA Communications Holdings, Inc. (SCH), a wholly owned subsidiary of SCI, held the following investments in ITC Holding Company (ITC) and its affiliates:

- Powertel, Inc. (Powertel) is a publicly traded company that owns and operates PCS systems in several major Southeastern markets. SCH owns approximately 4.9 million common shares of Powertel at a cost of approximately $72.8 million. Powertel common stock closed at $100.375 per share on December 31, 1999, resulting in a pre-tax unrealized holding gain of $417.8 million. The after-tax amount of such gain is included in "Other Comprehensive Income." In addition, SCH owns the following series of non-voting convertible preferred shares, at the approximate cost noted: 100,000 shares series B ($75.1 million), 50,000 shares series D ($22.5 million) and 50,000 shares 6.5 percent series E ($75.0 million). Dividends on Preferred series E shares are paid in common shares of Powertel. Preferred series B shares are convertible in March 2002 at a conversion price of $16.50 per common share or approximately 4.5 million common shares. Preferred series D shares are convertible in March 2002 at a conversion price of $12.75 per common share or approximately 1.7 million common shares. Preferred series E shares are convertible in June 2003 at a conversion price of $22.01 per common share or approximately 3.4 million common shares. The market value of the convertible preferred shares of Powertel is not readily determinable. However, as converted, the market value of the underlying common shares for the preferred shares was approximately $975.3 million at December 31, 1999, resulting in an unrecorded pre-tax holding gain of $802.7 million.
- ITC^DeltaCom, Inc. (ITCD) is a fiber optic telecommunications provider. SCH owns approximately 5.1 million common shares of ITCD at a cost of approximately $42.7 million. ITCD common stock closed at $27.625 per share on December 31, 1999, resulting in a pre-tax unrealized holding gain of $98.3 million. The after-tax amount of such gain is included in "Other Comprehensive Income." In addition, SCH owns 1,480,771 shares of series A preferred stock of ITCD at a cost of approximately $11.2 million. Series A preferred shares are convertible in March 2002 into 2,961,542 shares of ITCD common stock. The market value of series A preferred stock of ITCD is not readily determinable. However, as converted, the market value of the underlying common stock for the series A preferred stock was approximately $81.8 million at December 31, 1999, resulting in an unrecorded pre-tax holding gain of $70.6 million.
- Knology Holdings, Inc. (Knology) is a broad-band service provider of cable television, telephone and internet services. SCH owns 71,050 units of Knology. Each unit consists of one 11.875 percent Senior Discount Note due 2007 and one warrant entitling the holder to purchase .003734 shares of preferred stock of Knology. The cost of this investment was approximately $40 million. In addition, in November 1999, SCH exercised 753 warrants to purchase 753 series A preferred shares of Knology at a cost of $1.1 million. Immediately following this purchase, Knology preferred shares split 600 for one, resulting in SCH's ownership of 451,800 shares. The market value of this investment is not readily determinable.
- ITC has an ownership interest in several Southeastern communications companies. SCH owns approximately 3.1 million common shares, 645,153 series A convertible preferred shares, and 133,664 series B convertible preferred shares of ITC. These investments cost approximately $7.1 million, $8.9 million, and $5.0 million, respectively. Series A and series B preferred shares are convertible in March 2002 into ITC common shares on a four to one basis. The market value of these investments is not readily determinable.

The Company successfully completed its efforts to ensure Year 2000 readiness for all of its critical systems. As a result, the Company experienced no interruption in the services it provides to its customers during the transition to the Year 2000. Although the Company has not experienced any Year 2000 problems, there can be no guaranties that there will not be any Year 2000 problems in the future. The cost of the Company's Year 2000 efforts totaled approximately $16.3 million.

On November 10, 1999 substantially all of the assets of SCANA Propane Gas, Inc., SCANA Propane Storage, Inc., and C&T Pipeline, LLC were sold for approximately $94.5 million. The resulting after-tax gain of $29.9 million was recorded in "Other Income." Proceeds from the sale were used to reduce short-term debt.

On December 1, 1997 SCANA Petroleum Resources sold substantially all of its assets for $110 million. The resulting after-tax gain of $17.6 million was recorded in "Other Income." Proceeds from the sale were used during 1998 to repurchase approximately 3.7 million shares of SCANA's outstanding common stock through open market purchases and through privately negotiated transactions. All of the repurchased shares were retired, reducing the number of shares issued and outstanding.

RESULTS OF OPERATIONS

Earnings and Dividends

Earnings per share of common stock, the percent increase (decrease) from the previous year and the rate of return earned on common equity for the years 1999 through 1997 were as follows:

	1999	1998	1997
Earnings derived from:			
Continuing operations	$1.39	$2.07	$1.90
Non-recurring gains	.34	.05	.16
Earnings per weighted average share	$1.73	$2.12	$2.06
Return earned on common equity	8.5%	12.8%	12.3%

1999 Earnings derived from continuing operations decreased $.68, primarily as a result of losses from the Company's entry into the Georgia retail gas market ($.37 greater loss in 1999). In addition, electric margin decreased $.12 (see discussion at Electric Operations), gas margin decreased $.04, and expenses were higher for Other operations and maintenance ($.04), depreciation and amortization ($.09) and interest expense ($.11). These decreases were partially offset by improved results from energy marketing activities ($.04, non-Georgia), the impact of fewer common shares outstanding ($.03), and other ($.02).

1998 Earnings derived from continuing operations increased $.17, primarily as a result of increased electric margin ($.47; see discussion at Electric Operations), an increase in gas margin ($.05), the impact of fewer common shares outstanding ($.03), and lower preferred stock dividends ($.02). These increases were partially offset by increased Other operation and maintenance ($.18), expenses from the Company's entry into the Georgia retail gas market ($.08), lower margins from energy marketing activities ($.05, non-Georgia), higher interest expense ($.03), higher property taxes ($.03), higher depreciation and amortization expense ($.01), and other ($.02).

Pension income recorded by the Company reduced operations expense by $17.3 million, $16.9 million and $12.2 million for the years ended December 31, 1999, 1998 and 1997, respectively. In addition, pension income increased other income by $10.5 million and $9.0 million for the years ended December 31, 1999 and 1998, respectively. The reductions to operations expense for 1998 and 1997 were substantially offset by accelerated amortizations of a significant portion of the transition obligation for postretirement benefits other than pensions and certain regulatory assets as approved by the PSC.

Non-recurring gains resulted from the sale of retail propane assets ($.29) and telecommunications towers ($.05) in 1999, a retroactive change in electric depreciation rates ($.05) in 1998, and the sale of oil and natural gas production assets ($.16) in 1997.

Return on common equity decreased in 1999 primarily due to decreased earnings. In addition, common equity increased in 1999 due to a $311 million unrealized gain on the Company's investments in telecommunications securities. The increase in common equity, without a proportional increase in net income, decreased the return earned on common equity by 1.6 percent.

The Company's financial statements include AFC. AFC is a utility accounting practice whereby a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the balance sheet as construction work in progress) is capitalized. An equity portion of AFC is included in nonoperating income and a debt portion of AFC is included in interest charges (credits) as noncash items, both of which have the effect of increasing reported net income. AFC represented approximately 2.4 percent of income before income taxes in 1999, 4.4 percent in 1998 and 4.0 percent in 1997.

On February 17, 1999, the Board of Directors adopted a new common stock dividend policy to bring the Company's dividend payout ratio more in line with that of growth-oriented utilities. The board's action makes the Company's indicated annual dividend rate on common stock $1.10 per share.

On November 10, 1999, substantially all of the retail propane assets of the Company were sold for approximately $94.5 million. The resulting after-tax gain of $29.9 million was recorded in "Other Income."

Electric Operations

Electric operations sales margins for 1999, 1998 and 1997 were as follows:

(Millions of Dollars)	1999	1998	1997
Operating revenues	$1,226.0	$1,219.8	$1,103.0
Less: Fuel used in generation	284.6	262.3	248.4
Purchased power	35.9	31.5	9.4
Margin	$905.5	$926.0	$845.2

1999 The sales margin decreased primarily due to the impact of a rate reduction at SCE&G and milder weather, which was partially offset by customer growth.

1998 The sales margin increased for 1998 primarily due to more favorable weather and customer growth.

Increases (decreases) from the prior year in megawatt-hour (MWH) sales volume by classes were as follows:

Classification	1999	%Change	1998	%Change
Residential	(55,207)	(0.9%)	676,578	12.0%
Commercial	51,212	0.9%	578,290	10.9%
Industrial	316,086	5.4%	389,931	7.2%
Sales for Resale (excluding interchange)	63,306	5.6%	65,367	6.2%
Other	(17,653)	(3.3%)	29,823	5.9%
Total territorial	357,744	1.8%	1,739,989	9.7%
Negotiated Market Sales Tariff	183,442	12.3%	610,784	69.1%
Total	541,186	2.6%	2,350,773	12.5%

1999 The sales volume decrease for residential was primarily due to milder weather which was partially offset by customer growth. Volumes for the remaining classes increased primarily due to customer growth.

1998 The sales volume increases for 1998 were primarily due to more favorable weather and customer growth.

Gas Distribution

Gas distribution sales margins for 1999, 1998 and 1997 were as follows:

(Millions of Dollars)	*1999*	*1998*	*1997*
Operating revenues	$239.0	$230.4	$233.6
Less: Gas purchased for resale	152.6	142.4	151.9
Margin	$86.4	$88.0	$81.7

1999 The sales margin decreased for 1999 primarily as a result of higher gas costs.

1998 The sales margin increased over 1997 due to renegotiation of industrial customers' contracts, lower gas prices and increased sales to electric generation facilities.

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

Classification	*1999*	*%Change*	*1998*	*%Change*
Residential	(94,027)	(0.8%)	(2,685)	0.0%
Commercial	404,654	3.6%	389,468	3.6%
Industrial	644,485	3.7%	1,965,506	12.8%
Transportation gas	(28,732)	(1.4%)	(673,795)	(25.2%)
Total	926,380	2.2%	1,678,494	4.1%

1999 The sales volume increased for 1999 primarily as a result of customer expansion and customer growth. Residential volume decreased primarily due to milder weather.

1998 The sales volume for commercial and industrial customers increased for 1998 as a result of lower gas prices and increased sales to electric generation facilities.

Gas Transmission

Gas transmission sales margins for 1999, 1998 and 1997 were as follows:

(Millions of Dollars)	*1999*	*1998*	*1997*
Operating revenues	$342.4	$329.8	$339.9
Less: Gas purchased for resale	295.1	276.7	289.3
Margin	$47.3	$53.1	$50.6

1999 The sales margin decreased from 1998 primarily as a result of increased competition with oil prices and a decrease in the value of released capacity on the interstate pipeline system.

1998 The sales margin increased over 1997 primarily as a result of increased sales to electric generation facilities.

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

Classification	*1999*	*%Change*	*1998*	*%Change*
Commercial	200	0.2%	9,799	12.0%
Industrial	(916,235)	(2.0%)	5,238,940	13.0%
Transportation	(179,029)	(7.4%)	(695,921)	(22.3%)
Sale for resale	2,122,252	3.8%	314,895	0.6%
Total	1,027,188	1.0%	4,867,713	4.9%

1999 The sales volumes for sale for resale customers increased for 1999 as a result of customer growth and customer expansion on our sale for resale customers' systems. Transportation volumes decreased due to improved results from gas marketing efforts. These improved results were more than offset by increased competition with oil prices, which resulted in an overall decrease in industrial volumes.

1998 The sales volume for commercial and industrial customers increased for 1998 as a result of lower gas prices and increased sales to electric generation facilities. Transportation volumes decreased due to improved results from gas marketing efforts.

Energy Marketing

Energy marketing sales margins for 1999, 1998 and 1997 were as follows:

(Millions of Dollars)	*1999*	*1998*	*1997*
Operating revenues	$429.9	$568.1	$205.9
Less: Gas and electricity purchased for resale	432.1	569.8	203.3
Margin	$(2.2)	$(1.7)	$2.6

1999 The sales margin decreased in 1999 primarily due to intense competition in the Georgia retail natural gas market.

1998 The sales margin decreased for 1998 primarily due to losses on energy trading, intense competition related to Energy Marketing's entry into the Georgia retail natural gas market, and continued mild weather.

Delivered volumes for 1999 totaled approximately 84,821,175 DT, which included firm customer volumes of 22,966,029 DT and interruptible customer volumes of 61,855,146 DT. Approximately 27.1 percent of total delivered volumes were for residential and commercial customers in Georgia. Total volumes decreased from 1998 primarily due to closure of the Houston wholesale trading office.

Delivered volumes for 1998 totaled approximately 217,262,286 DT, which included firm customer volumes of 469,189 DT and interruptible customer volumes of 216,793,097 DT.

Other Operating Expenses and Taxes

Increases (decreases) in other operating expenses, including taxes, were as follows:

(Millions of Dollars)	*1999*	*%Change*	*1998*	*%Change*
Other operation and maintenance	$6.9	2.0%	$31.1	10.0%
Depreciation and amortization	23.4	16.1%	(8.2)	(5.4%)
Income taxes	(25.6)	(18.8%)	30.8	29.2%
Other taxes	1.9	1.9%	5.7	5.9%
Total	$6.6	0.9%	$59.4	8.9%

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

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(Millions of Dollars)	*1999*	*1998*	*1997*
Operating revenues	$239.0	$230.4	$233.6
Less: Gas purchased for resale	152.6	142.4	151.9
Margin	$86.4	$88.0	$81.7

1999 The sales margin decreased for 1999 primarily as a result of higher gas costs.

1998 The sales margin increased over 1997 due to renegotiation of industrial customers' contracts, lower gas prices and increased sales to electric generation facilities.

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

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Residential	(94,027)	(0.8%)	(2,685)	0.0%
Commercial	404,654	3.6%	389,468	3.6%
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Less: Gas purchased for resale	295.1	276.7	289.3
Margin	$47.3	$53.1	$50.6

1999 The sales margin decreased from 1998 primarily as a result of increased competition with oil prices and a decrease in the value of released capacity on the interstate pipeline system.

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Less: Gas and electricity purchased for resale	432.1	569.8	203.3
Margin	$(2.2)	$(1.7)	$2.6

1999 The sales margin decreased in 1999 primarily due to intense competition in the Georgia retail natural gas market.

1998 The sales margin decreased for 1998 primarily due to losses on energy trading, intense competition related to Energy Marketing's entry into the Georgia retail natural gas market, and continued mild weather.

Delivered volumes for 1999 totaled approximately 84,821,175 DT, which included firm customer volumes of 22,966,029 DT and interruptible customer volumes of 61,855,146 DT. Approximately 27.1 percent of total delivered volumes were for residential and commercial customers in Georgia. Total volumes decreased from 1998 primarily due to closure of the Houston wholesale trading office.

Delivered volumes for 1998 totaled approximately 217,262,286 DT, which included firm customer volumes of 469,189 DT and interruptible customer volumes of 216,793,097 DT.

Other Operating Expenses and Taxes

Increases (decreases) in other operating expenses, including taxes, were as follows:

(Millions of Dollars)	*1999*	*%Change*	*1998*	*%Change*
Other operation and maintenance	$6.9	2.0%	$31.1	10.0%
Depreciation and amortization	23.4	16.1%	(8.2)	(5.4%)
Income taxes	(25.6)	(18.8%)	30.8	29.2%
Other taxes	1.9	1.9%	5.7	5.9%
Total	$6.6	0.9%	$59.4	8.9%

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

1998 Other operating and maintenance expenses increased over 1997 primarily due to increased maintenance costs for electric generating and distribution facilities, various other electric operating costs and Year 2000 testing and remediation. The decrease in depreciation and amortization expense reflects the non-recurring adjustment to depreciation expense discussed under earnings and dividends. The increase in income tax expense primarily reflects changes in operating income. The increase in other taxes primarily results from increased property taxes.

Other Income

1999 Other income, net of taxes, increased approximately $9.1 million, primarily as a result of the gain on the sale of non-regulated propane assets and telecommunications towers, which was partially offset by increased losses from retail gas marketing activities.

1998 Other income, net of taxes, decreased approximately $25.1 million, primarily as a result of the gain on the sale of Petroleum Resources recorded in 1997. In addition, lower earnings from non-regulated businesses, primarily losses from energy marketing activities, resulted from decreased gas margins, volatility in power markets related to unusually hot summer weather and startup costs in new markets. The impact of these items was partially offset by pension income recorded in 1998.

Interest Expense

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

Millions of Dollars	*1999*	*1998*
Interest on long-term debt, net	$11.4	$ 5.4
Other interest expense	3.9	(1.8)
Total	$15.3	$3.6

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

1998 Interest expense increased over 1997 as a result of the issuance of medium-term notes in 1998 to finance nonregulated activities.

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

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

December 31, 1999 — *Expected Maturity Date (Millions of Dollars)*

Liabilities	*2000*	*2001*	*2002*	*2003*	*2004*	*Thereafter*	*Total*	*Fair Value*
Long-Term Debt:								
Fixed Rate ($) (1)	152.5	32.5	32.5	289.3	178.8	1,150.5	1,836.10	1,680.7
Average Fixed Interest Rate	6.20	6.85	6.85	6.17	7.50	7.33	7.05	
Variable Rate ($)	150.0						150.0	150.0
Average Variable Interest Rate	6.45							

December 31, 1998 — *Expected Maturity Date (Millions of Dollars)*

Liabilities	*1999*	*2000*	*2001*	*2002*	*2003*	*Thereafter*	*Total*	*Fair Value*
Long-Term Debt:								
Fixed Rate ($)	106.7	213.5	27.5	27.5	284.4	1,165.8	1,825.4	1,869.2
Average Interest Rate	6.86	5.95	6.86	6.86	6.29	7.48	7.06	

(1) There were no debt issuances outstanding under the December 1, 1999 credit agreement for $300 million.

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

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

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

December 31, 1999

Natural Gas Derivatives (Millions of Dollars)	*Weighted Avg Settlement Price*	*Contract Amount*	*Fair Value*
Expected Maturity in 2000			
Future Contracts:			
Long	$2.3318	$20.0	$19.8
Short	$2.3290	$1.2	$1.1
SET Futures Contracts (1):			
Long	$2.7161	$5.0	$5.1
Short	$2.7461	$4.7	$4.8

December 31, 1998

Natural Gas Derivatives (Millions of Dollars)	*Weighted Avg Settlement Price*	*Contract Amount*	*Fair Value*
Expected Maturity in 2000			
Future Contracts:			
Long	$2.3850	$1.9	$1.8
Short	–	–	–
SET Futures Contracts (1):			
None			
Expected Maturity in 1999			
Future Contracts:			
Long	$2.0032	$13.0	$12.2
Short	$1.9417	$0.8	$0.8
SET Futures Contracts (1):			
None			

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

Equity price risk - Investments in telecommunications companies' marketable equity securities are carried at the lower of their cost or market value of $889.1 million, in accordance with Statement of Financial Accounting Standards No. 115. A ten percent decline in market value would result in a $88.9 million reduction in fair value and a corresponding adjustment, net of tax effect, to the related equity account for unrealized gains/losses.

Selected Financial Data

For the Years Ended December 31,	1999	1998	1997	1996	1995
(Millions of dollars, except statistics and per share amounts)					
Statement of Income Data					
Operating Revenues	$1,650	$1,632	$1,523	$1,513	$1,353
Operating Income	310	345	314	314	288
Other Income/(Loss)	22	13	38	29	8
Net Income	179	223	221	215	168
Balance Sheet Data					
Utility Plant, Net	$3,851	$3,787	$3,648	$3,529	$3,469
Total Assets	6,011	5,281	4,932	4,759	4,534
Capitalization:					
Common equity	2,099	1,746	1,788	1,684	1,555
Preferred Stock (Not subject to purchase or sinking fund)	106	106	106	26	26
Preferred Stock, net (Subject to purchase or sinking fund)	11	11	12	43	46
SCE&G-obligated mandatorily redeemable preferred securities of SCE&G's subsidiary, SCE&G Trust I, holding solely $50 million principal amount of 7.55% Junior Subordinated Debentures of SCE&G, due 2027	50	50	50	–	–
Long-term debt, net	1,563	1,623	1,566	1,581	1,589
Total Capitalization	$3,829	$3,536	$3,522	$3,334	$3,216
Common Stock Data					
Weighted Average Number of Common Shares Outstanding (Millions)	103.6	105.3	107.1	105.1	99.0
Earnings Per Weighted Average Share of Common Stock	$1.73	$2.12	$2.06	$2.05	$1.70
Dividends Declared Per Share of Common Stock	$1.32	$1.54	$1.51	$1.47	$1.44
Common Shares Outstanding (Year-End) (Millions)	103.6	103.6	107.3	106.1	103.6
Book Value Per Share of Common Stock (Year-End)	$20.26	$16.86	$16.66	$15.86	$15.00
Number of Common Shareholders of Record	25,369	30,983	33,395	36,178	38,231
Other Statistics					
Electric:					
Customers (Year-End)	523,552	517,447	503,905	493,320	484,354
Total sales (Million KWH)	21,774	21,203	18,853	18,904	17,779
Residential:					
Average annual use per customer (KWH)	14,011	14,481	13,214	14,149	13,859
Average annual rate per KWH	$.0787	$.0801	$.0799	$.0785	$.0747
Generating capability - Net MW (Year-End)	4,483	4,387	4,350	4,316	4,282
Territorial peak demand - Net MW	4,158	3,935	3,734	3,698	3,683
Regulated Gas:					
Customers (Year-End)	260,362	256,957	252,701	248,681	243,523
Sales, excluding transportation (Thousand Therms)	1,012,890	1,002,952	945,289	893,170	877,728
Residential:					
Average annual use per customer (Therms)	507	521	531	639	570
Average annual rate per therm	$.86	$.86	$.86	$.74	$.82
Nonregulated Gas:					
Retail customers (Year-End)	430,950	78,091	–	–	–
Firm customer deliveries (Thousand Therms)	229,660	4,692	–	–	–
Interruptible customer deliveries (Thousand Therms)	618,551	2,167,931	–	–	–

Common Stock Information

	1999				1998			
	4th Qtr.	3rd Qtr.	2nd Qtr	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Price Range: (a)								
High	28 5/16	25 11/16	26 15/16	32 9/16	37 1/4	33 7/8	31 3/8	31
Low	23 5/8	22 13/16	21 1/8	21 9/16	31 5/16	28 1/2	28	27 7/8

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

CORPORATE OFFICE

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

ANNUAL MEETING

SCANA Corporation's 2000 Annual Meeting of Shareholders will be held at 10 a.m. on Thursday, April 27, at the Sheraton Imperial Hotel & Convention Center, Research Triangle Park, Raleigh-Durham, NC.

COMMON AND PREFERRED STOCK SECURITIES

Stock Exchange Listings

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

Dividends

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

SCANA Investor Plus Plan

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

Shareholder Inquiries

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

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

Transfer Agent and Registrar

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

DEBT SECURITIES

Trustee and Paying Agent

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

SCANA Corporation

Medium-Term Notes
The Bank of New York
Attn: Corporate Trust Administration
101 Barclay Street, 21 West
New York, NY 10286
Telephone: (212) 815-5939

South Carolina Electric & Gas Company

First and Refunding Mortgage Bonds
The Chase Manhattan Bank
Corporate Trust Department - 15th Floor
450 West 33rd Street
New York, NY 10001-2697
Telephone: (800) 648-8380

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

SCE&G Trust I Trust Preferred Securities, Series A
The Bank of New York
Attn: Corporate Trust Administration
101 Barclay Street, 21 West
New York, NY 10286
Telephone: (212) 815-5939

Public Service Company of North Carolina, Incorporated

Senior Debentures (Unsecured)
First Union National Bank
Trust Officer
230 South Tryon Street 9th Floor
Charlotte, NC 28288-1179
Telephone: (704) 383-6150

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants
1426 Main Street, 8th Floor
Columbia, SC 29201

ADDITIONAL INFORMATION

Publications: The Company provides a quarterly report to shareholders highlighting financial and operating results for the first, second and third quarters. A copy of SCANA's 1999 Annual Report on Form 10-K (as filed with the Securities and Exchange Commission) is available without charge. Requests for these and other financial publications should be directed to the Investor Relations Department.
Internet: Information about the Company, including financial reports, press releases and descriptions of customer products and services, is available on SCANA's home page on the World Wide Web at http://www.scana.com.
Investor Line: In addition to information on a variety of shareholder account services, the latest information on dividends, financial results and other significant Company developments is available by calling SCANA's 24-hour, toll-free Investor Line at 1-800-763-5891.

INVESTOR RELATIONS CONTACT

H. John Winn, III
Manager - Investor Relations and Shareholder Services (054)
Telephone: (803) 217-9240
Fax: (803) 217-7344

INVESTORS' ASSOCIATION

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

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Annual Report Project Management/Design
SCANA Marketing Communications

Photography
George Fulton Photo Imagery

Printer
R.L. Bryan Company

Printed on recycled and recyclable paper.

SCANA *corporation*

Columbia

South Carolina 29218

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