10CFR50.71

SCE&G

A SCANA Company

South Carolina Electric & Gas Company
P.O. Box 764
Columbia, SC 29218
(803) 748-3513

Dan A. Nauman
Vice President
Nuclear Operations

March 16, 1988

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

Subject: Virgil C. Summer Nuclear Station
Docket No. 50/395
Operating License No. NPF-12
1987 Annual Financial Reports

Gentlemen:

Pursuant to 10CFR50.71(b), enclosed are ten (10) copies each of South Carolina Electric and Gas Company's 1987 Annual Financial Report and South Carolina Public Service Authority's 1987 Annual Financial Report.

Very truly yours,

OSBradham for

D. A. Nauman

MDB:DAN:lcd
Enclosures

pc: J. G. Connelly, Jr./O. W. Dixon, Jr./T. C. Nichols, Jr.
E. C. Roberts
W. A. Williams, Jr.
J. N. Grace
J. J. Hayes
General Managers
C. A. Price
R. B. Clary
W. R. Higgins
R. M. Campbell, Jr.
K. E. Nodland
J. C. Snelson
G. O. Percival
R. L. Prevatte
J. B. Knotts, Jr.
M. D. Blue
NSRC
RTS (RG870005)
NPCF
Files (801.06, 818.02)

M001
1/10

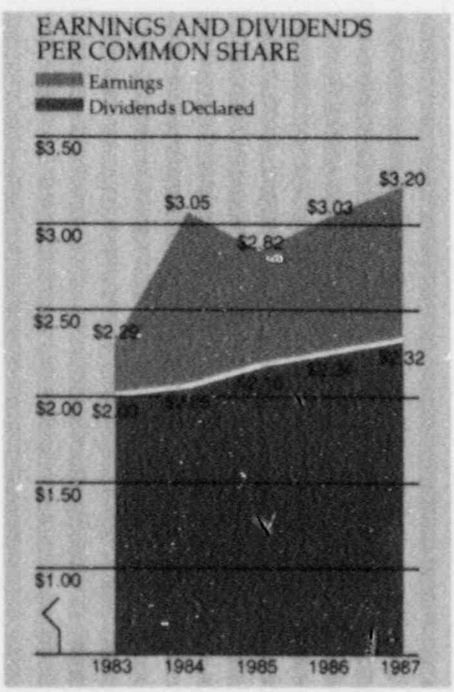
1987 ANNUAL REPORT

SCANA

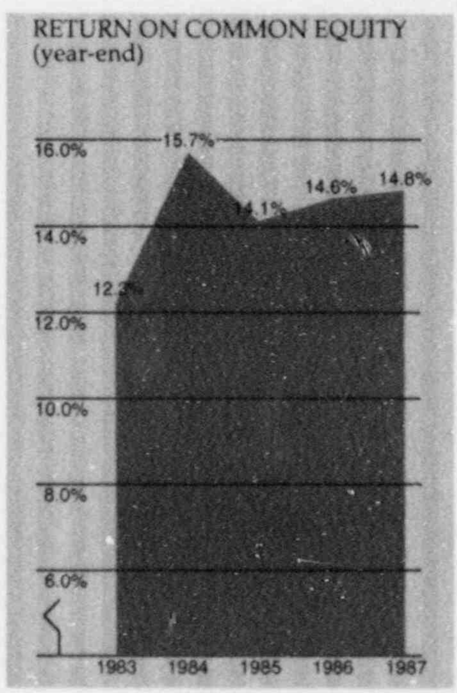
CONTENTS

8803210169 51pp

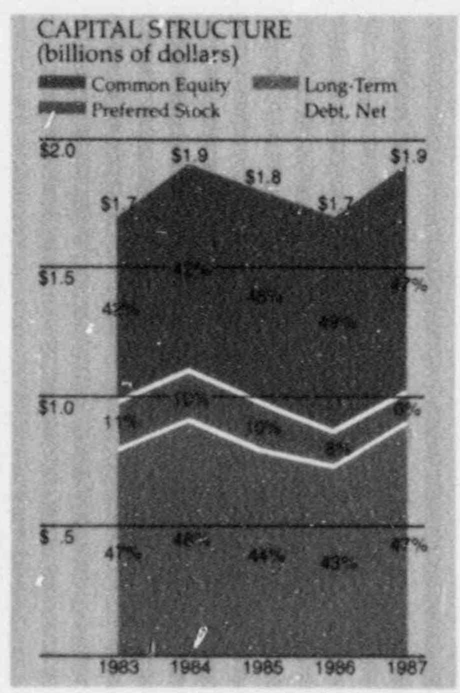
	1987	1986	% Increase (Decrease)
	(Millions of Dollars except statistics and per share amounts)		
Financial			
Total Operating Revenues	$ 1,116.0	$ 1,102.0	1.3
Total Operating Expenses	$ 911.6	$ 903.3	0.9
Earnings Available for Common Stock	$ 128.9	$ 122.2	5.6
Earnings Per Share of Common Stock	$ 3.20	$ 3.03	5.6
Dividends Declared Per Share of Common Stock	$ 2.32	$ 2.24	3.6
Book Value Per Share of Common Stock (Year-End)	$ 21.63	$ 20.77	4.1
Market Price Per Share of Common Stock (Year-End)	$ 28.50	$ 36.625	(22.2)
Common Stockholders' Equity (Year-End)	$ 871.6	$ 836.9	4.1
Common Stock Outstanding (Thousands; Year-End)	40,296	40,296	—
Construction Expenditures	$ 173.3	$ 144.2	20.2
Gross Utility Plant	$ 3,099.9	$ 2,959.5	4.7
Electric Operations			
Electric Operating Revenues	$ 806.8	$ 809.5	(0.3)
Sales (Million KWH)	14,314	13,704	4.5
Customers (Year-End)	417,778	406,511	2.8
Generating Capability — Net MW (Year-End)	3,890	3,890	—
Territorial Peak Demand — Net MW	2,943	2,853	3.2
Gas Operations			
Gas Operating Revenues	$ 306.0	$ 289.4	5.7
Sales (Thousand Therms)	734,145	671,881	9.3
Customers (Year-End)	195,338	192,941	1.2
Transit Operations			
Transit Operating Revenues	$ 3.2	$ 3.1	3.2
Revenue Passengers Carried (Thousands)	8,668	8,699	(.4)



EARNINGS AND DIVIDENDS PER COMMON SHARE



RETURN ON COMMON EQUITY (year-end)



CAPITAL STRUCTURE (billions of dollars)

Fellow Stockholders:

We are pleased to present this annual report which outlines the successes of SCANA Corporation during the past year. It is very gratifying to note that most of the significant achievements during 1987 resulted from our employees' diligent implementation of long range strategies over the past few years.

Earnings per common share were $3.20, an increase of 5.6% over the $3.03 earned in 1986. Earnings for both years reflect record electric customer usage as a result of record heat waves. We estimate the abnormal summer weather contributed approximately 21¢ per share in 1987 and approximately 23¢ per share in 1986.

On February 24, 1988, the Board of Directors authorized an increase in the indicated annual dividend from $2.32 to $2.40 per common share. The new dividend rate will be reflected in the quarterly dividends to be paid April 1, 1988 to holders of record March 10, 1988.

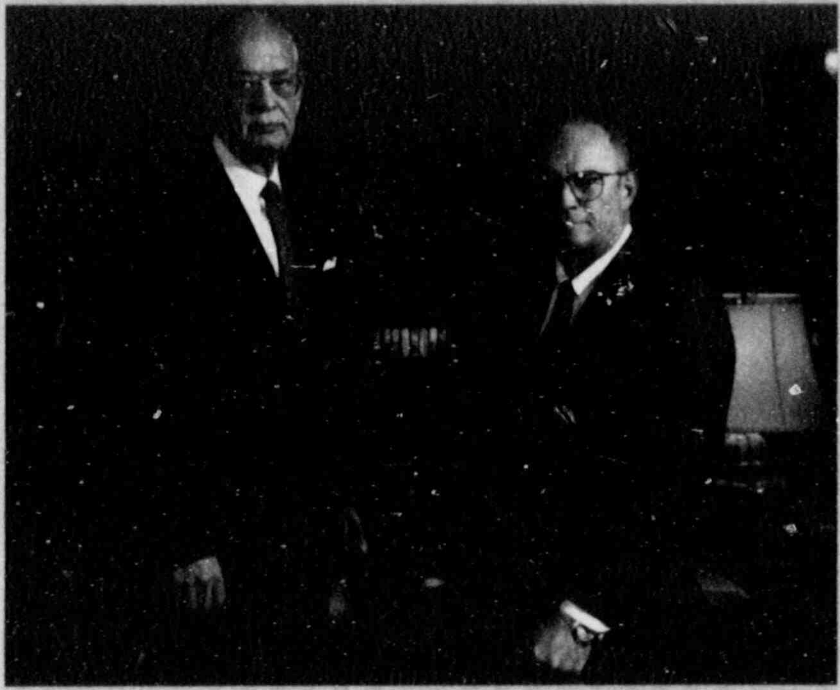
South Carolina Electric & Gas Company, our principal subsidiary, met several significant challenges during the past year. The abnormally hot summer established several records for peak demand on our system, with the new record set on August 10, 1987, when the peak was 2,943 megawatts, an increase of 3.2% over the prior year's peak set July 9. These peaks were met from our own generation, and all our plants functioned well during this period of heavy demand. Over the past few years, SCE&G has made significant expenditures to extend the useful life of our existing fossil and hydro power plants. Although this program is not complete, it is already paying dividends in improved reliability during high load conditions.

The V.C. Summer Nuclear Station continued its history of superior operations, receiving very high marks in its various inspections and reviews, and getting full accreditation of its training programs from the Institute of Nuclear Power Operations. The plant was taken out of service for a scheduled refueling in March 1987. The next scheduled outage for refueling is in the fall of 1988. Since the plant began commercial operation in 1984, it has achieved a capacity factor of 70%, as compared to an industry average capacity factor of 61%.

For the past few years, SCE&G has aggressively pursued several strategies to improve its competitive position. One major strategy implements a renewed marketing program. Its major features include new choices in rates, information about price-value relationships of our products, primarily provided through our Energy Info Centers, and significant improvements in our levels of customer service. Cost containment and cost reduction is the focus of a second major strategy, which has had the most direct effect on current electric rates. Aggressive renegotiation of coal supply contracts and purchase of spot market coal, decreases in corporate tax rates, redemptions of high cost bonds and preferred stock together with efforts by all employees to reduce the growth rate of nonfuel operating and maintenance expenses have resulted in significant rate reductions. Finally, a strategy addressing operational excellence fosters superior performance as typified by the record of V.C. Summer Nuclear Station. These strategies have been successful in making SCE&G's rates among the lowest in the southeast for investor-owned utilities. Since March 1984, SCE&G's residential retail electric rates have declined from $76.91 per 1,000 kilowatt hours (kwh) to $67.72 per 1,000 kwh, a decrease of 11.9%. We believe that SCE&G's customer base will continue to grow approximately 3% annually over the next few years, and that the combination of our marketing emphasis and hard-won competitive position will permit us to maximize the potential from such growth.

South Carolina Pipeline Corporation completed another successful year. Total system throughput increased 9.4%, to 78.8 million dekatherms. South Carolina Pipeline Corporation continued to purchase significant volumes of natural gas on the spot market, thereby maintaining good margins on its sales to industrial customers despite general weakness in the price of competitive energy supplies. Unfortunately, the outlook for natural gas sales during the next few years is uncertain. After several years of diminished exploration activity and partial deregulation, the industry is struggling to cope with overhanging costs of past contractual relationships in a significantly different, very competitive marketplace. South Carolina Pipeline Corporation has skillfully taken advantage of opportunities created by these changes. We believe it will continue to be successful as the industry adapts to a deregulated environment.

While we are striving to improve the operating results in our principal subsidiaries, we recognize that they are regulated and there is a limit to the growth in earnings which can occur based on their operations. Your management decided several years ago to begin a selective diversification program with the objective of having this program provide additional earnings growth while, to the extent possible, helping develop the economy within our utilities' franchised service area.



John A. Warren
Chairman and Chief Executive Officer

Lawrence M. Gressette, Jr.
President

Because SCANA had no substantive experience with such a program, our first investments have been purposely small. The total investment in these ventures was less than $55 million at December 31, 1987. We are continuing to expand this part of the business, but it will be a few more years before net income from diversification makes a substantial contribution to consolidated net income.

We believe the future prospects for SCANA are excellent. As you will see in the succeeding pages of this report, the economic progress of our service area is moving rapidly toward higher skill employment and further industrial development. SCANA intends to capitalize on this growth in several ways. Our utility subsidiaries will continue to follow those strategies which keep our prices competitive, while we market our products and services to an expanding customer base. We will expand our diversification activities to augment our utility earnings.

The results of operations for the past two years have been excellent. Certainly, weather patterns and a strong local and national economy have been major factors in our achievements. However, the determined efforts of all of our employees to provide excellent customer service, to control our costs of operation and to expand the Company's business opportunities really are the foundations of our recent successes.

John A. Warren

Lawrence M. Gressette, Jr.

February 24, 1988

Foundations to build on. Opportunities for the taking. These are the advantages South Carolina has to offer. And momentum is on our side. Greater educational opportunities are available today than ever before. Hundreds of thousands of tourists flock to our mountain hideaways, beach resorts and historic cities each year. Our foremost colleges and universities are becoming leaders in emerging fields of technology, opening doors of promise both immediate and future. And yet, much of the state's economic and human potential remains untapped.

At SCANA Corporation, our goal is to help South Carolina maximize every opportunity and realize every potential. We want a better way of life for our customers, and we want the state's businesses and industries to grow so that we can grow with them.

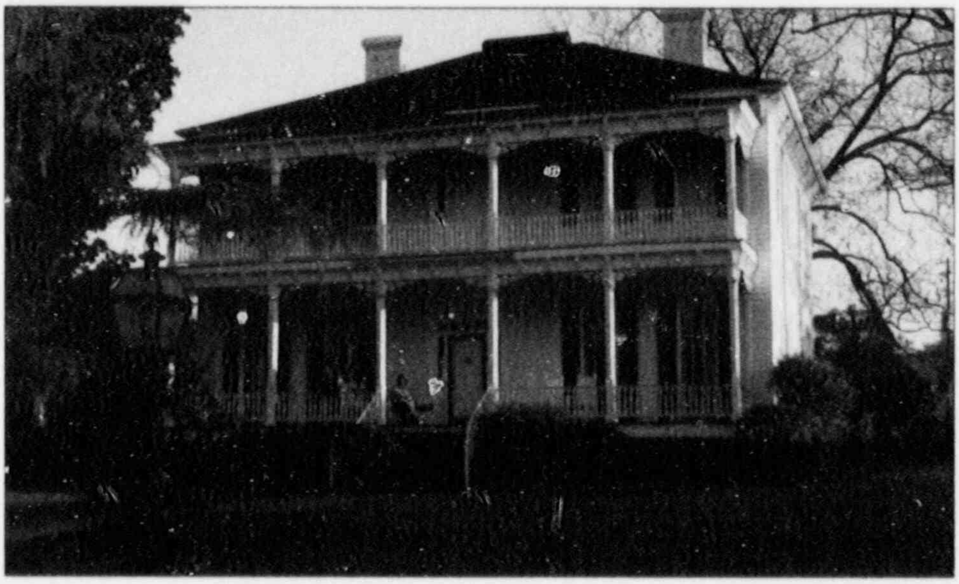
The Sky's The Limit

A profile of South Carolina is easy enough with the help of a few statistics: It is a proud state located on the southern Atlantic coast of the United States with a population of approximately 3.5 million . . . The median age is 28 . . . More than 50,000 young people will reach the age of 18 every year through the end of this decade . . . Between 1970 and 1986, the population increased by 31.9%, making South Carolina the second fastest growing state in the Southeast . . . Roughly 54% of the people live in an urban area . . . More than half of the people work in retail jobs . . . South Carolina ranked 14th in the nation in the creation of new jobs in the latest *Inc.* magazine ratings . . . State and local taxes are among the lowest in the nation . . . The work stoppage rate has been the lowest in the country for most of the past quarter century . . . Construction costs are among the lowest in the nation . . . More than 150 of the Fortune 500 companies have offices or plants in the state . . . More than half of the people age 25 and over hold high school degrees . . . Thirteen percent of the people over age 25 hold college degrees.

Reading, Writing And Arithmetic

The importance of having a better educated workforce cannot be understated. A fundamentally sound and successful educational system is essential if South Carolina is to capitalize on economic opportunities in the years ahead.

The high school graduation rate is twice what it was 10 years ago. The number of college graduates is also up considerably. State-supported technical schools are turning out and placing skilled workers in record numbers, and the state of South Carolina is committing more money and resources to improve its public school system than ever before.



Demand For Jobs Intensifying

As success greets our efforts to upgrade the educational levels of the people, more and better jobs will be needed. South Carolina has fared well in years past attracting new industry and 1987 was no different. Once again, SCE&G took a leadership role in this recruitment.

More than 20,000 new manufacturing jobs were announced in the state during the year, and capital investments amounted to $2.3 billion. About $1.3 billion, or 57%, will occur in SCANA's service area.

Examples of companies that have moved to South Carolina in the last year and a half read like a who's who in industry: Mack Trucks. Dana Corporation. The Allied Division of Grumman Corporation.

Just as impressive is the growth being experienced by companies which arrived earlier. Michelin Tire Corporation, with four major manufacturing facilities in the state, broke ground in Greenville in 1987 for its new North American headquarters. Pirelli announced plans for a research and development facility next to its fiber optic cable manufacturing plant outside Columbia. NCR Corporation unveiled its newest business computer, which represented a $30 million investment in its West Columbia plant. Robert Bosch Company, a subsidiary of the West German automotive supplier, began a four-year, $170 million expansion of its South Carolina plants.

SCE&G's economic development team works with local and state agencies to recruit new investment from around the world. However, we also help prepare communities in our own backyard for presentations to prospective industries.

Hastening Economic Development

Corporate gifts play a role in hastening economic growth as well, and two in particular are expected to pay big dividends to the state's economy in future years. SCE&G donated much of the land and buildings for the University of South Carolina's Swearingen Engineering Complex, which will boast a powerful new supercomputer that will be installed in 1988. A three-year, $600,000 grant to Clemson University will be used to stimulate projects related to energy and economic development at Clemson's new Emerging Technology Development and Marketing Center.

Beaches, Parks, Zoos And Museums

South Carolina, with historic Charleston, the Myrtle Beach Grand Strand, Hilton Head Island and the Blue Ridge Mountains, certainly doesn't need any help attracting tourists. More than 36 million people visit the state each year and spend about $3.5 billion.

One of the biggest draws is Spoleto USA, Charleston's international arts festival, which annually brings more than 150,000 visitors to the famous port city.

Riverbanks Zoo in Columbia, one of the top 10 zoos in the United States according to *Parade* magazine, delights over a half million people each year.

Lake Murray covers 50,000 acres in central South Carolina and powers one of SCE&G's hydroelectric generating plants. It is also home to thousands of year-round residents and attracts 200,000 watersport enthusiasts annually.

A new attraction will be added in 1988 when the South Carolina State Museum opens. The building that will house the Museum was the first electrically-powered textile mill in the world. The electricity was produced at a hydroelectric plant that later became part of SCE&G.

What once were merely promising opportunities have become realities for many South Carolinians. Educationally, economically and technologically, the state is stronger today than ever before and getting stronger. SCANA is proud to be a part of this success and excited about the challenges ahead.

"The future of South Carolina Electric & Gas Company rests on a strong foundation of customer satisfaction backed by the technically competent and sound management of its resources. Our customers and stockholders will not tolerate less."

T.C. Nichols, Jr.
President & Chief Operating Officer
South Carolina Electric & Gas Company

Record Electric Usage

SCE&G customers used record amounts of electricity in 1987, establishing three historical peaks in a one-month period, with the all-time record demand of 2,943 megawatts (MW) occurring August 10. This series of records broke the previous record of 2,853 MW set July 9, 1986.

Systemwide sales rose 4.5% over the previous year, totaling 14.3 billion kilowatt-hours (KWH). Residential sales were up 4.1%, commercial sales 5.1% and industrial sales 4.2%. Wholesale and other electric sales increased 4.7%.

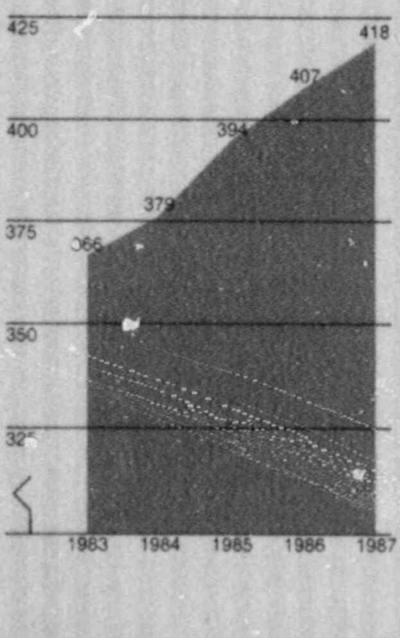
An increase of 2.8% over 1986 in electric customers contributed to the higher electric sales. SCE&G was serving 417,778 electric customers at year-end. Distribution system projects were undertaken to meet the resulting load growth and to improve service reliability.

Rate stability is one of the primary goals and proudest accomplishments at SCE&G. In July 1987, 400 megawatts of electric generating capability were restored to the rate base without the need for a rate increase. In December 1987, the S.C. Public Service Commission (PSC) ordered a $27.6 million, or 3.7%, reduction in retail electric rates. This reduction reflected tax savings expected to be realized by SCE&G as a result of the Tax Reform Act of 1986, and a lowering of the company's allowed return on common equity from 14.25% to 13.25% effective January 1, 1988. The PSC had previously reduced SCE&G's retail electric rates by $25 million, or 3%, in February 1987 to reflect lower income taxes established in the Act.

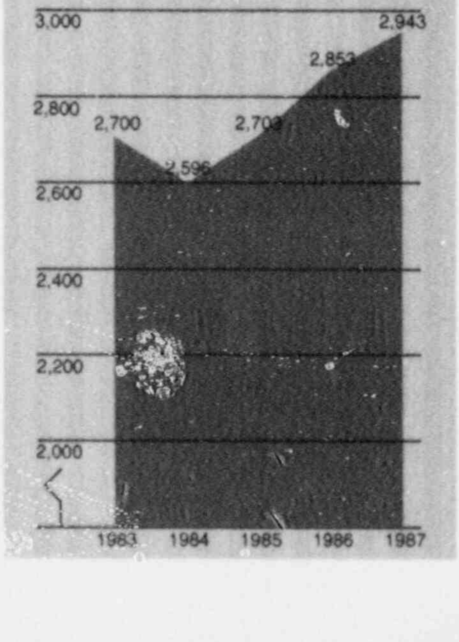
Since March 1984, SCE&G's residential electric rates have fallen 11.9%, while average annual residential usage has risen 6.6%.

Bar codes make meters easily identifiable by a scanner, which records each code, entering the data into a computer for inventory purposes.

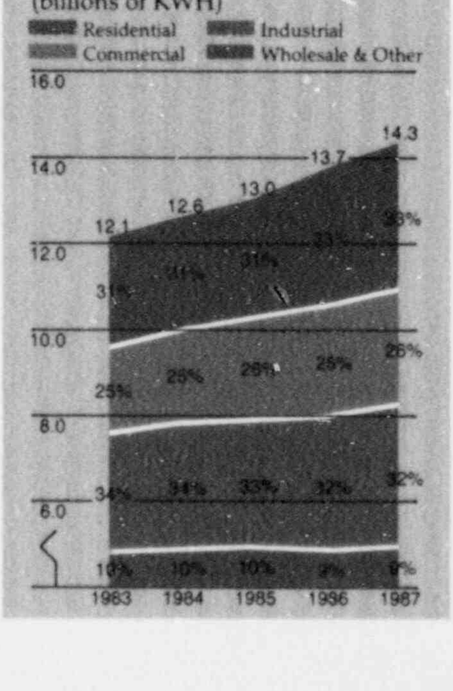
ELECTRIC CUSTOMERS
(thousands; year-end)

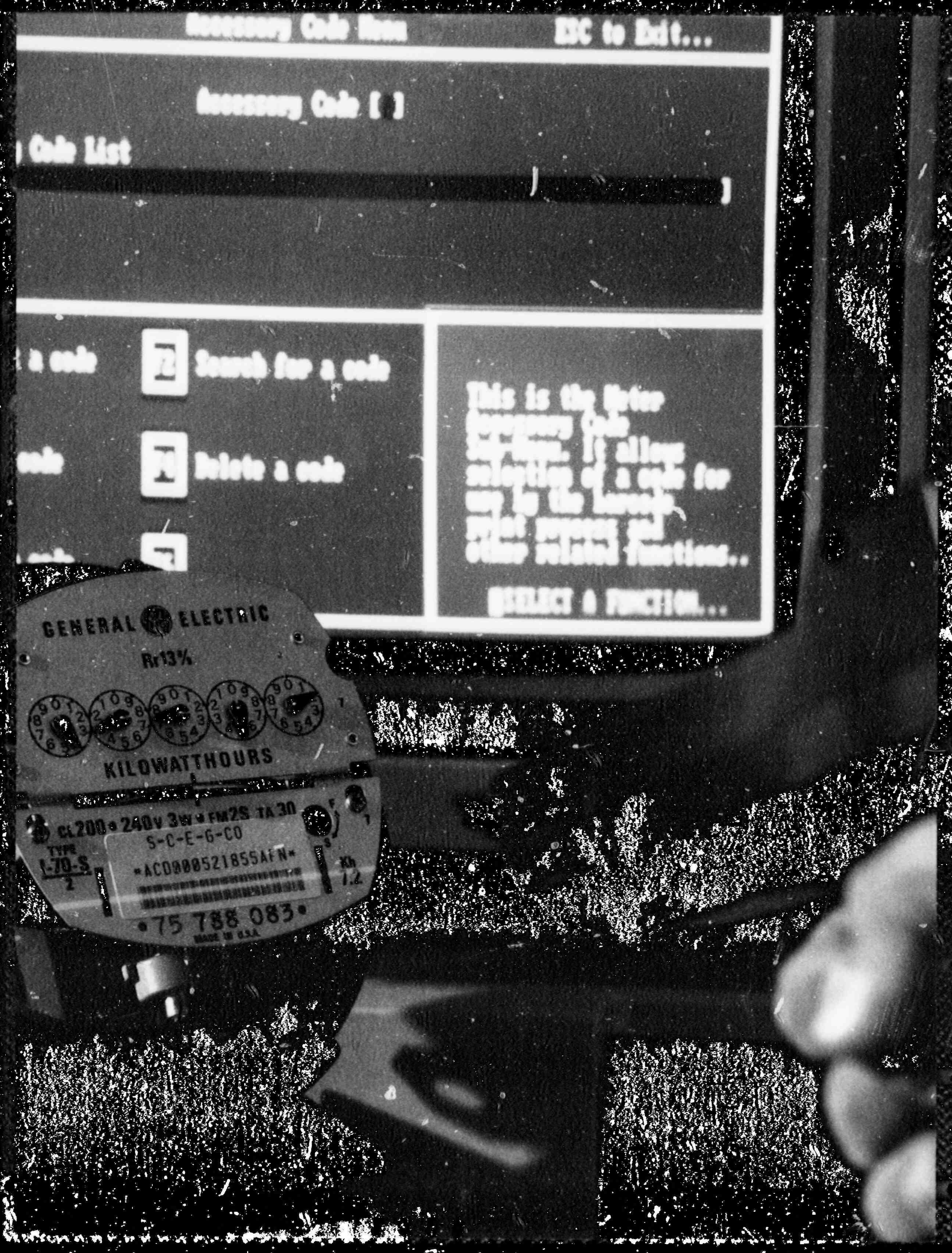


ELECTRIC TERRITORIAL PEAK DEMAND
(megawatts)



CONSOLIDATED ELECTRIC SALES
(billions of KWH)



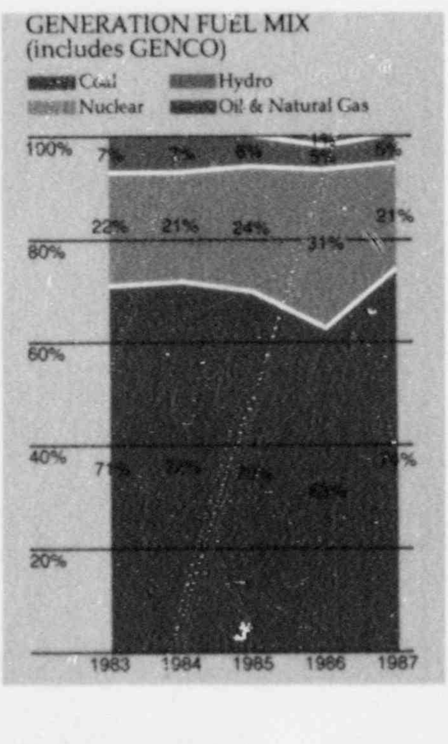

ESC to Exit...
Code List
Search for a code
Delete a code
GENERAL ELECTRIC
KILOWATTHOURS
S-C-E-G-CO
75 788 083

Efficient Generation Gets Even Better

SCE&G continues to improve its already excellent record of efficiency in the generation of electricity. Th company's 1987 system heat rate for fossil plants was 9,920 BTU/KWH, marking the fifth consecutive year this important measure of generating efficiency has improved. In *Electric Light & Power* magazine's latest annual survey of the country's 100 largest investor-owned utilities, SCE&G had the eighth best fossil heat rate for 1986. SCE&G has ranked in the survey's top 10 for the last five years and eight of the last nine.

Total system generation in 1987 was 15.4 billion KWH, up 5.7% from 1986. That included all electricity produced by the A.M. Williams Station in Charleston, which is owned by another SCANA subsidiary, South Carolina Generating Company, Inc. The total generation mix in 1987 was 74% coal, 21% nuclear and 5% hydroelectric.

The peak generating capability stood at 3,890 MW as of January 1, 1988. Generation from coal accounted for 56% of this capacity; hydroelectric 20%; nuclear 15%; and oil and natural gas 9%.



Maintenance, Life Extension Programs Benefit Customers

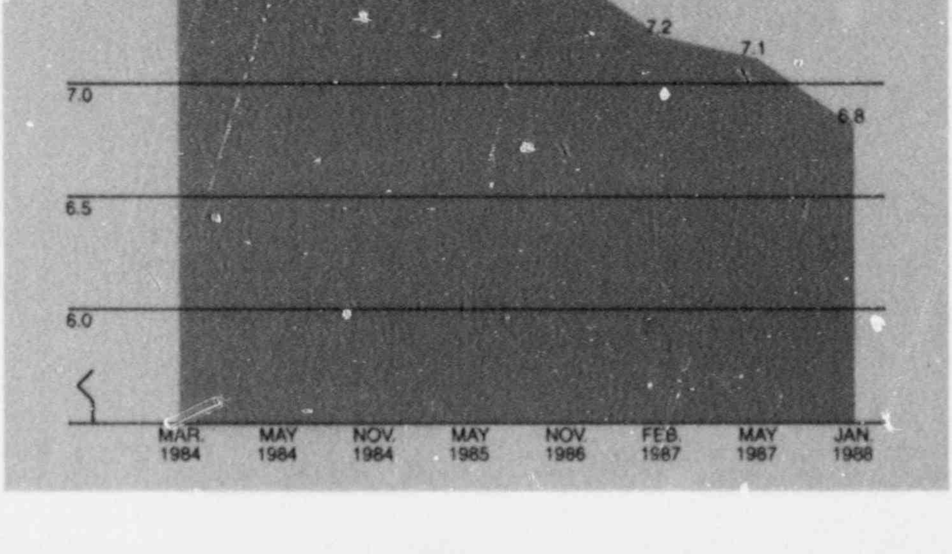
SCE&G's superb record of generating efficiency can be linked to aggressive programs to maintain and upgrade existing generating plants and transmission and distribution equipment.

Especially noteworthy is the installation of a computerized maintenance planning and scheduling system at SCE&G's fossil plants. Although the project will not be completed at all plants until the summer of 1989, benefits are already being realized in tracking work orders, scheduling preventive maintenance and measuring productivity. Refurbishments continued at five steam plants as part of the company's on-going life extension program for existing electric generating facilities.

Coal is SCE&G's primary generation fuel. Our fossil plants burned 4.6 million tons of coal in 1987, a 24.1% increase from 1986.

Efforts to reduce the costs associated with coal have paid off in significant savings for our customers over the last few years. The delivered cost of coal has dropped from $53.27 a ton in 1984 to $42.60 a ton at year-end 1987. SCE&G achieved these savings by buying more coal at lower cost on the spot market and by renegotiating several long-term purchase and shipping contracts.

McMeekin Station consistently ranks as one of the most efficient generating plants in the United States.



"1987 was a strong year for South Carolina's economy. We enjoyed the second best year on record for job creation and an all-time record for foreign investment. This was due to a multitude of factors, not the least of which was tremendous cooperation between local and state officials and the private sector. The future is bright for South Carolinians and South Carolina companies such as SCANA. By working together, we can continue creating opportunities for all our people."

The Honorable Carroll A. Campbell, Jr.
Governor
State of South Carolina

Choices For A Better Way Of Life

Customer service means more than just providing a good product at a reasonable price. It also means offering options and conveniences that complement an individual's lifestyle or a company's approach to business. SCE&G is doing that in a number of ways.

The majority of our residential electric customers are billed at a standard rate. But others with non-traditional lifestyles or those who are willing to alter their electric usage patterns can save with our low-use and time-of-use rates. Residential customers who build or retrofit their homes to meet stringent conservation standards can save with a reduced rate.

A time-of-use rate is also available for businesses and industries which shift their usage to off-peak hours. A combination of firm and interruptible rates offers attractive savings to companies which allow SCE&G to discontinue their service during peak situations.

By encouraging conservation and off-peak usage, SCE&G can delay the need for new generating plants and maintain rate stability. But rates aren't the only options available.

During 1987 SCE&G certified 574 new homes under the Good Cents energy-efficiency program and at year's end an additional 900 were under construction.

Columbia S.C.

Rite Aid opened a new distribution center in Winnsboro in May 1987. The 277,000 square-foot facility provides service to Rite Aid pharmacies in a six-state area.

Marketing Programs Offer More Options

SCE&G's residential customers who qualify can receive a rebate if they replace their old heating and cooling systems with more efficient appliances. SCE&G also offers a security lighting program and an easy payment plan where budget-minded customers are billed in equal monthly installments.

Also, a new multi-faceted power conditioning program is being offered to residential, commercial and industrial customers. Lightning arrestors and surge protectors are available to better protect home appliances from electrical damage. Commercial and industrial customers can take advantage of custom-designed back-up equipment to assure an uninterruptible power source for sensitive, critical microprocessing equipment during temporary service interruptions or extended outages.

Heating and air conditioning dealers help their customers qualify for SCE&G's Energy Extras programs that provide financial incentives for improving the efficiency of major home appliances.

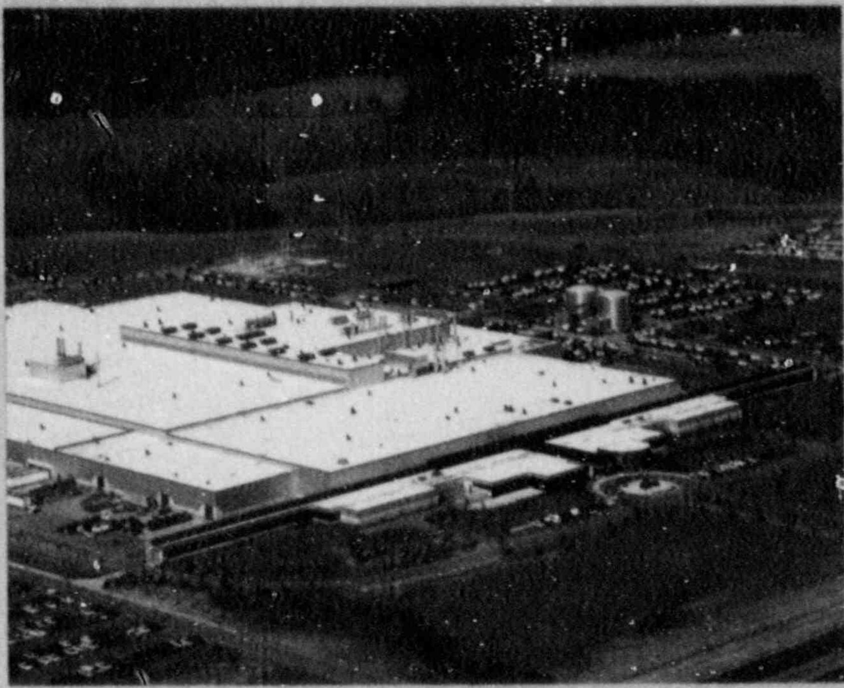
Reaching Out To Senior Citizens

SCE&G has developed a number of corporate social responsibility programs to help meet the needs of the communities we serve. The purposes of the programs vary, but the company's dedication to each one is strong.

One of the more successful programs is called Project SHARE. A voluntary donation program supported by nearly 20,000 SCE&G customers, Project SHARE provides direct financial assistance to the needy during crisis situations. These funds help qualified people buy heating fuels to stay warm during the winter and to pay for heating equipment repairs. Project SHARE got its start from seed money donated by SCANA stockholders. In 1987, community action agencies distributed more than $217,000 in Project SHARE funds to 1,353 deserving families and individuals.

An increased emphasis is being placed on meeting the specific needs of our senior citizens. In cooperation with the local Council on Aging in Columbia, the Customer Assistance Department is participating in a pilot program aimed specifically at elderly patients recently released from hospitals. Home visits by nursing and pharmacology students from the University of South Carolina will ensure that medicine is being taken properly and bandages are kept clean.

Robots make up the majority of the work force at the Dana Corporation plant located in the Carolina Research Park. The lightly manned robotics technology manufactures front wheel drive systems for automotive applications.



In August 1987 Mack Trucks opened its new $80 million Winnsboro assembly plant. The first customer-ordered truck was presented to SCE&G three months later on November 10 during official dedication ceremonies for the state-of-the-art facility.

Summer Station Gets High Marks

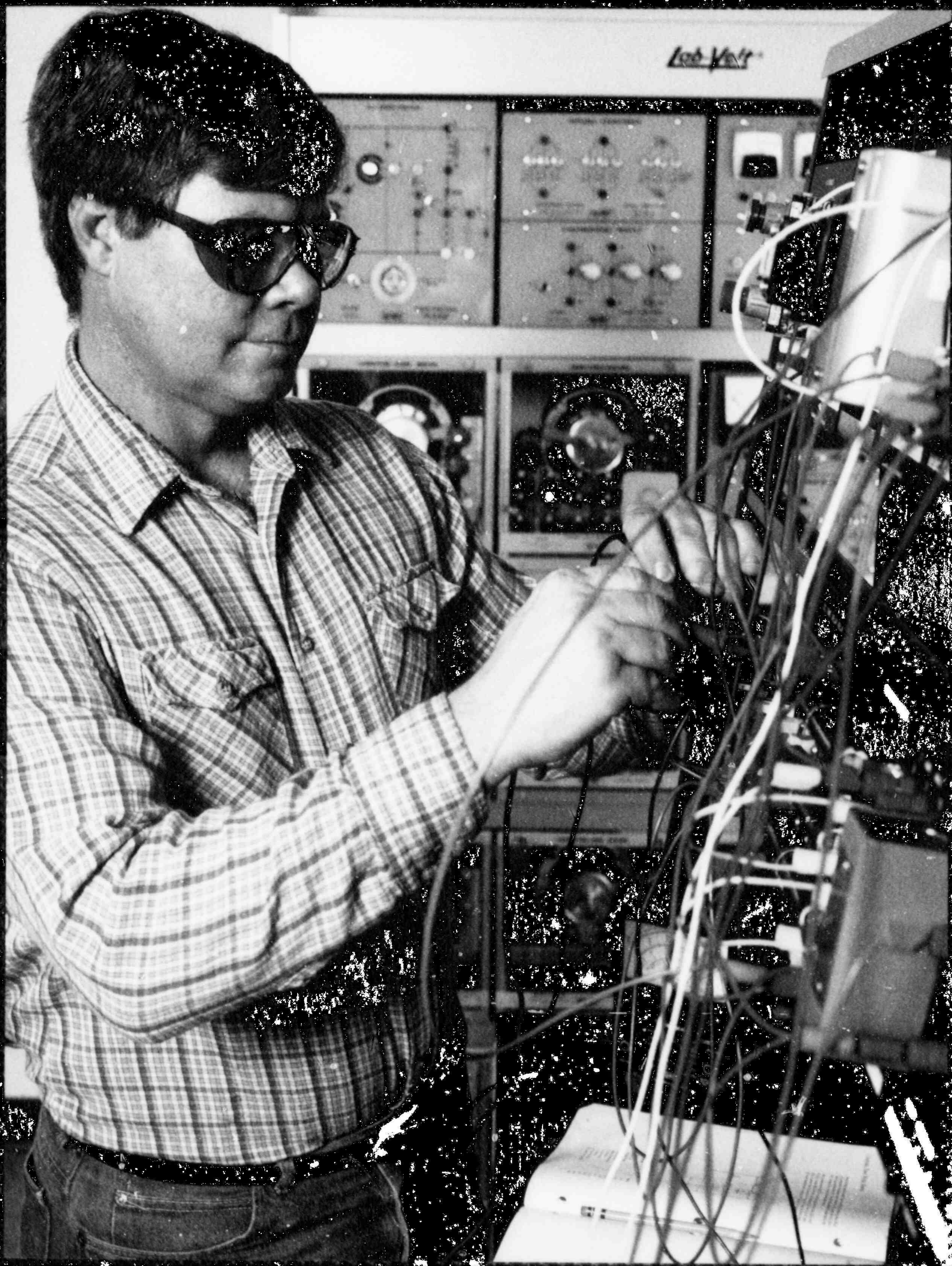
SCE&G received good news from the Nuclear Regulatory Commission (NRC) in 1987 when the agency released its latest assessment of performance at the V.C. Summer Nuclear Station.

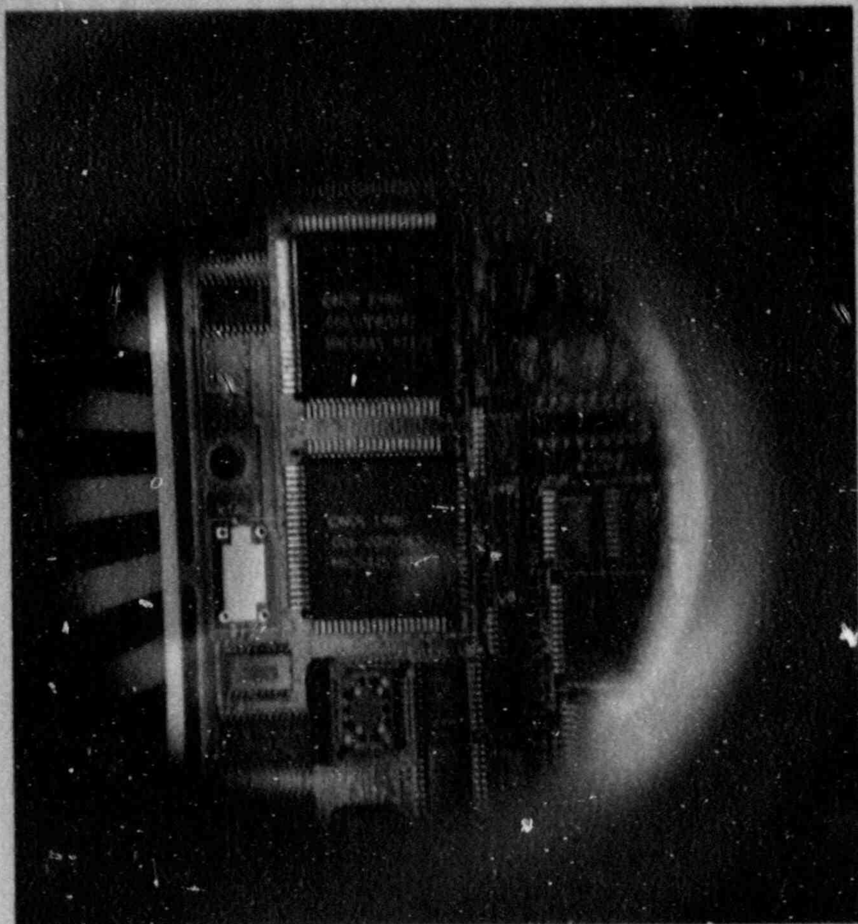
In a letter to SCE&G, the NRC commended the company for its "high level of improved performance" and "aggressive management posture towards nuclear safety" identified in the report, which covered the period January 1, 1986 through July 31, 1987.

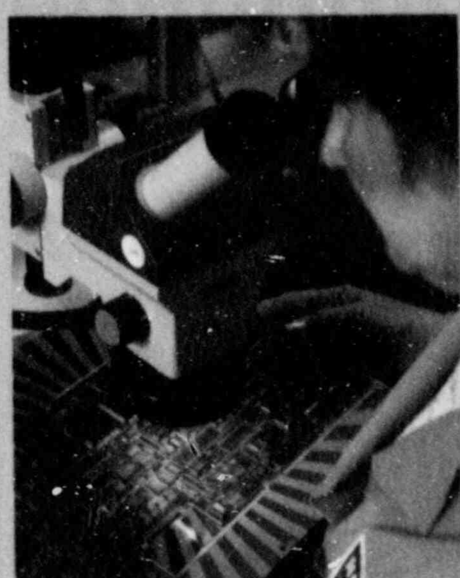
The NRC noted that SCE&G had taken a number of steps to improve plant operations during that time, including the establishment of a management review board to review all unplanned shutdowns of the reactor. This review board's work resulted in a reduction of the number of unplanned shutdowns compared with an earlier period.

The company received even more good news when the Institute of Nuclear Power Operations (INPO) accredited the remaining four training programs at Summer Station. By having all 10 of its training programs accredited, SCE&G became the 24th utility to be granted full membership in INPO's National Academy for Nuclear Training.

Summer Station electricians can now get additional "hands on" experience in recently completed labs that make training for craft employees more realistic.


Lab-Volt





NCR Corporation's newest business computer, the Tower 32/800, was unveiled in February 1987. The computer was designed, developed and is manufactured at the NCR plant in West Columbia.

Refueling Outage A Success

Summer Station also successfully completed its third refueling, maintenance and testing outage during the spring. The most significant activity during the three-month outage involved the "shot peening" of steam generator tubes, making them less susceptible to cracking.

Because of the refueling outage, Summer Station's capacity factor was 66.5% for 1987. That was down from the previous year's 92.4%, when the plant did not undergo refueling, but still better than the national average for nuclear units. Capacity factor is the amount of electricity a generating plant produces compared to the maximum it could produce if operated uninterrupted year-round.

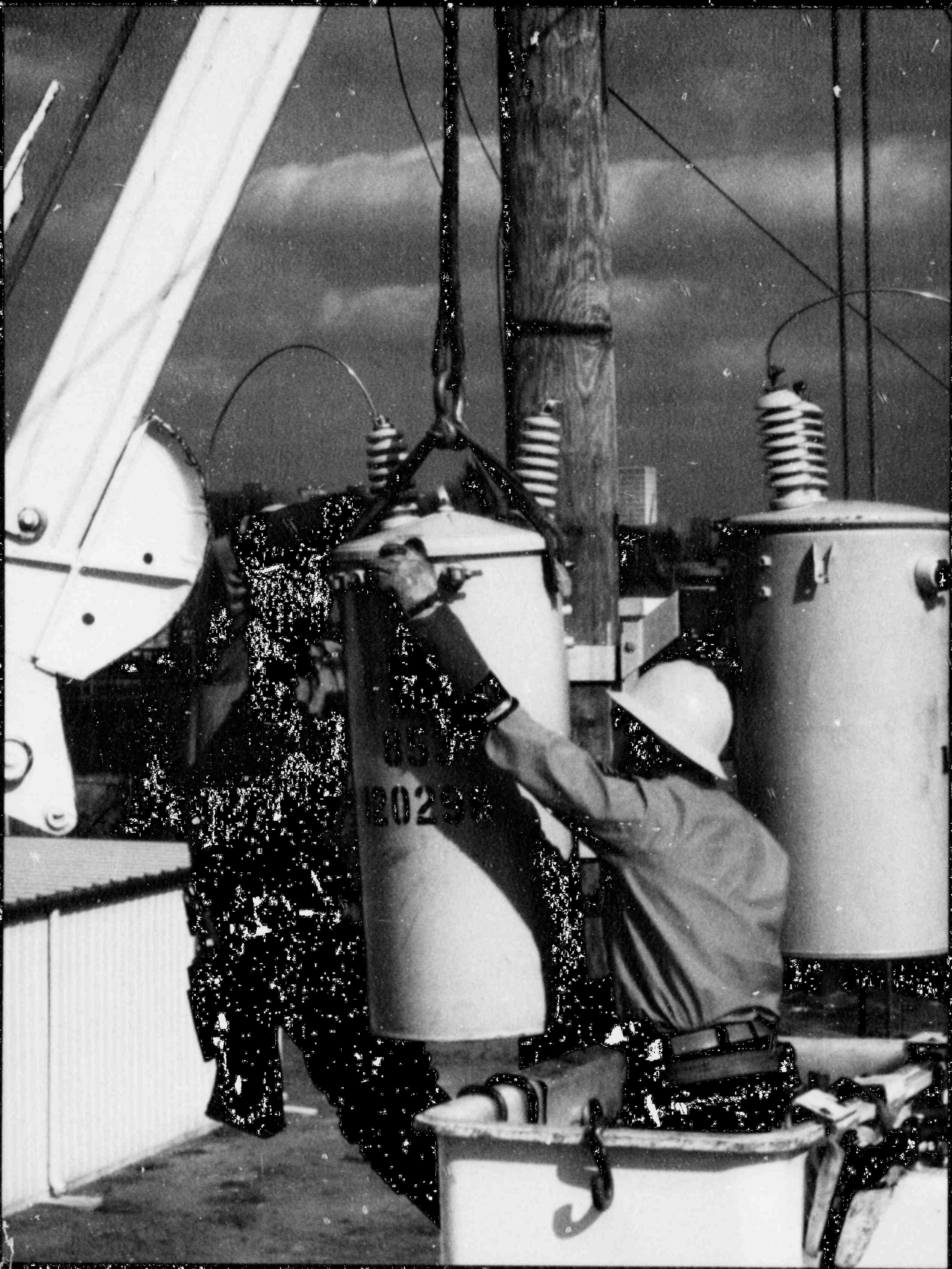
Transit System Allowed Higher Fare

SCE&G's fleet of 108 buses carried more than 8.7 million revenue passengers in 1987, about 31,700 less than in 1986.

SCE&G continued to lose money on its transit operations in 1987 despite on-going programs to reduce costs. Total revenue was $3.2 million, while operating expenses were $8.1 million. SCE&G is required by franchise agreements with the cities of Charleston and Columbia to provide public transportation.

In October 1987, SCE&G petitioned the PSC for an increase in the 25 cent base fare — the lowest in the country. In December 1987, the PSC approved an increase to 50 cents effective January 1, 1988.

Although this increase will help reduce transit losses, it was disappointing that the requested increase to $1 was not granted. SCE&G continues to seek the establishment of publicly subsidized Regional Transportation Authorities to reduce its role in providing public transportation.

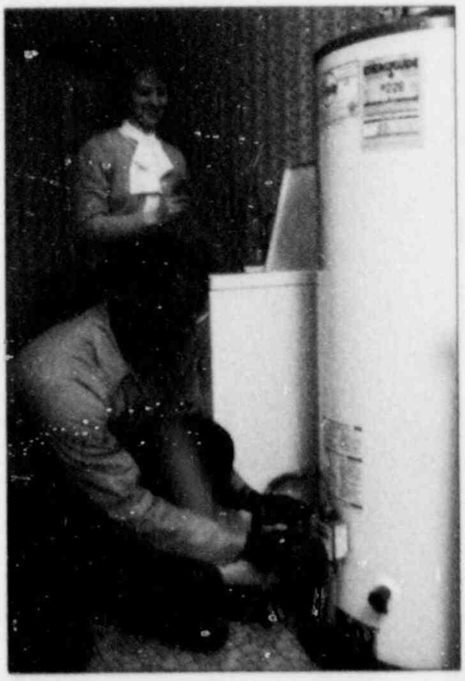


Natural Gas Sales Stressed Through Sales Force, Marketing

The number of natural gas customers on SCE&G's system increased by 1.2% over 1986 to 195,177 at year-end 1987. Total retail sales were up 9.3% to 300.2 million therms. Residential, commercial and industrial sales rose 15.5%, 8.1% and 3.8%, respectively.

SCE&G's natural gas operations underwent a complete reorganization during the fall of 1987 as part of a new strategy to increase residential sales along the company's 5,399-mile distribution system.

A special sales force was formed, trained and challenged to identify and recruit new customers. The sales force, working on a commission basis, will focus on three target groups: Customers with gas lines near their homes will be told about the merits of gas appliances; and developers and builders in fast-growing areas where natural gas is available will be encouraged to include gas appliances in their plans. Additionally, in 1988, SCE&G began offering rebates to customers who replace their old electric water heaters with more economical gas water heaters.



Training Efforts Improve Service To Gas Customers

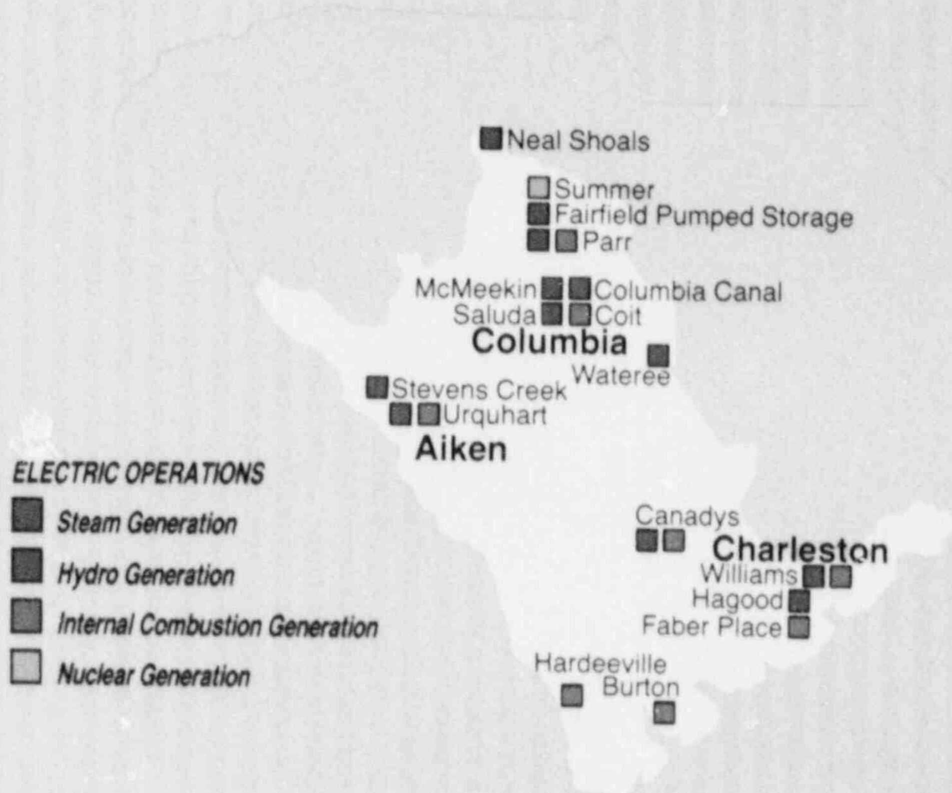
SCE&G expanded its training efforts into new and exciting frontiers in 1987. Under a program that requires 160 hours of intensive training, gas servicemen are now being qualified to service all types of household appliances. And to stay abreast of the latest in technology in the metering and pressure regulation of natural gas, experts are brought in on a regular basis to conduct training classes.

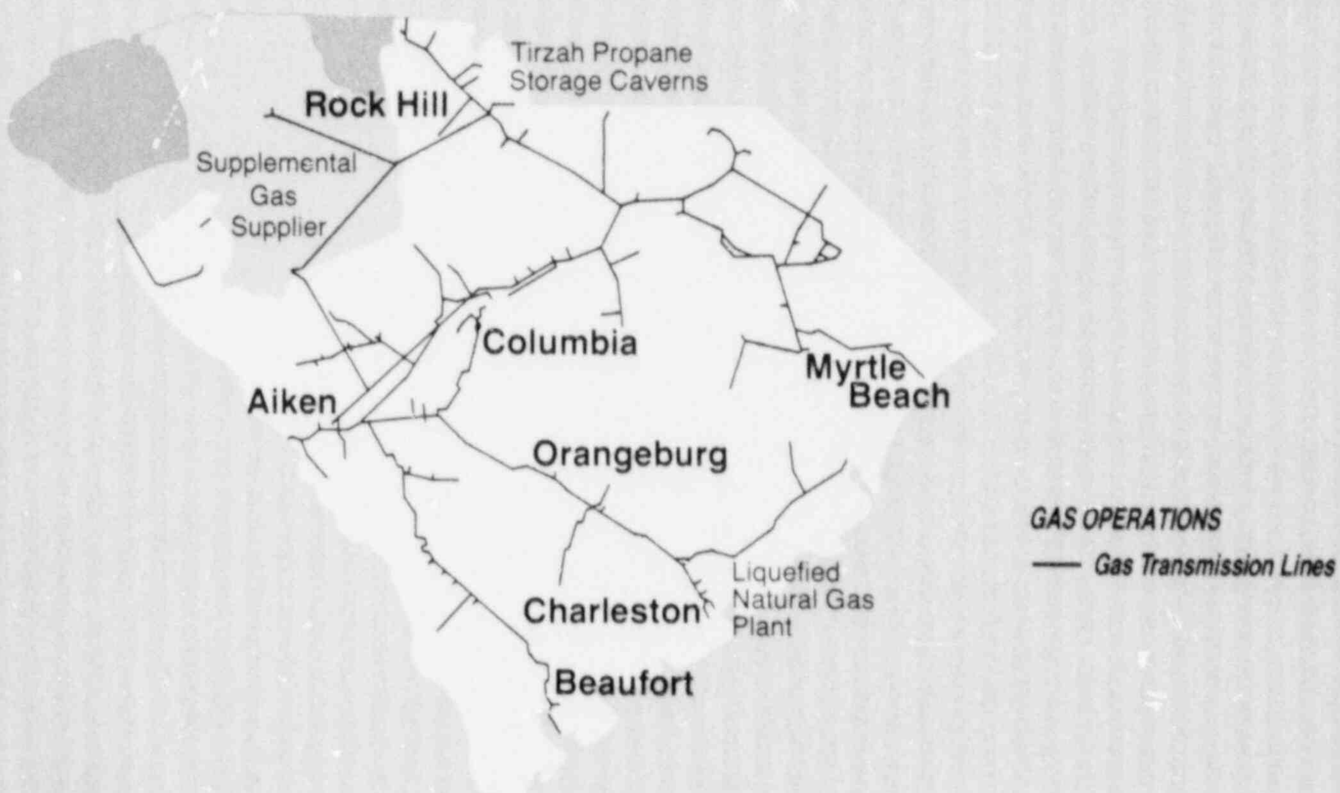
SCE&G is also taking advantage of new technology in other areas as it becomes available. Computer software is making it easier to identify equipment problems and quickly find solutions. Faster emergency repairs to plastic pipe are also possible by utilizing a process called "electrofusion," where electric current is used to bond the pipe.

System improvements continued in 1987 as a $30 million project to replace more than 600 miles of mains and service connections in the Columbia area moved nearer to completion. Propane air plants in Columbia and Charleston were rebuilt and their capacity doubled to meet peak-day supply needs.

Because revenues were not keeping pace with investments to expand and improve the system, in June 1987, the company requested a 5.7% increase in natural gas rates. Following a public hearing in September, the PSC approved a $4.3 million, or 3.8%, increase in annual revenues based on a 12.75% return on common equity, effective December 1, 1987.

The new gas sales team is working closely with builders and encouraging them to include gas appliances in the homes they construct.

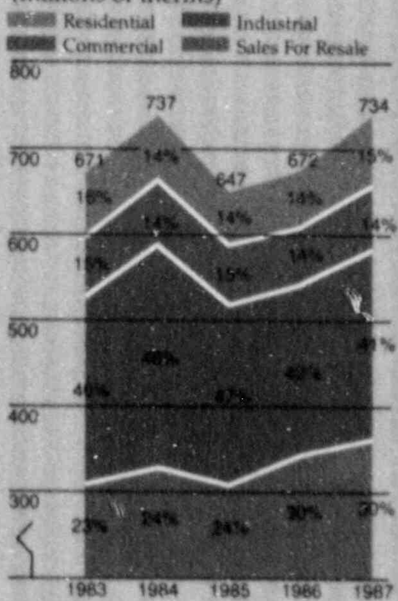

Neal Shoals
Summer
Fairfield Pumped Storage
Parr
McMeekin
Columbia Canal
Saluda
Coit
Columbia
Wateree
Stevens Creek
Urquhart
Aiken
Canadys
Charleston
Williams
Hagood
Faber Place
Hardeeville
Burton
ELECTRIC OPERATIONS
Steam Generation
Hydro Generation
Internal Combustion Generation
Nuclear Generation


Tirzah Propane Storage Caverns
Rock Hill
Supplemental Gas Supplier
Columbia
Myrtle Beach
Aiken
Orangeburg
Liquefied Natural Gas Plant
Charleston
Beaufort
GAS OPERATIONS
Gas Transmission Lines

"The restructuring of the natural gas industry presents South Carolina Pipeline Corporation with a crucial challenge: To continue providing the excellent service our customers have come to expect in an increasingly competitive environment. We welcome this challenge."

Max Earwood
President
South Carolina Pipeline Corporation

CONSOLIDATED NATURAL GAS SALES
(millions of therms)



S.C. Pipeline Corporation Responds To Competition

South Carolina Pipeline Corporation (SCPC) is SCANA's intrastate natural gas transmission subsidiary that serves resale and industrial customers in all but two of South Carolina's 46 counties. Resale customers include city and county gas authorities and other gas utilities. At year-end 1987, SCPC was serving approximately 146 direct customers, including SCE&G.

Purchases of gas on the spot market continued to help SCPC remain competitive with alternate fuel suppliers in 1987. Total sales increased by 8.4% over 1986 to 72.4 million MCF. Industrial sales were up by 4.6% while sales to resale customers increased by 10%. The amount of gas transported for resale customers and end-users rose 32.4% compared to 1986.

Southern Natural Gas Company (Southern) and Transcontinental Gas Pipeline Corporation (Transco) provide SCPC's contract gas requirements. The contract demand is 210,900 MCF per day with Southern and 29,300 MCF per day with Transco. SCPC also purchases significant volumes of spot market gas that is transported by Transco and Southern on an interruptible basis. This arrangement assures SCPC customers of a reliable supply of gas and allows the company flexibility in purchasing.

Total natural gas purchased for resale, including spot market purchases, totaled approximately 72.0 million MCF in 1987, up from 65.4 million MCF in 1986. The cost per MCF declined from $3.30 in 1986 to $3.09 in 1987.

Satellite Monitoring Of Pipeline Passes Test

During 1987, SCPC became the first gas transmission utility in the nation to employ a satellite telemetering system for monitoring and controlling the pipeline. The very small aperture terminal (VSAT) system exceeded all expectations during extensive testing and is expected to become fully operational during 1988.

The system will be installed in two phases. Phase 1 involves the placement of 25 small terminals to transmit information about gas volume and flow from remote points along SCPC's 1,657 miles of pipeline. Phase 2 calls for an additional 15 terminals to be installed.

The financial benefits of this system will be immediate. The cost to transmit this information across local telephone lines has been steadily increasing. Because of its fixed costs, VSAT will quickly pay for itself.

SCPC is taking advantage of satellite technology to monitor its gas transmission system.

Construction, Real Estate Companies Active

Primesouth, Inc., SCANA's construction and design subsidiary, ended 1987 on a successful note by signing a major contract as an authorized builder for American Buildings Company, one of the largest manufacturers of metal building systems in the world. Contracts awarded to Primesouth during 1987 included a new U.S. Post Office in Charleston; a major addition to the headquarters of a regional bank; significant renovations at a county hospital; a 145,000 square foot research and development facility; and an air cargo building for the Columbia Metropolitan Airport. Primesouth achieved profitability in 1987, its first full year of operation.

South Carolina Real Estate Development Company, Inc. (SCRED) continued its involvement during 1987 in businesses ranging from major industrial parks to single-family residential developments. SCRED completed a shopping center and a business park in Columbia, and an office building in Charleston. Another office building is under construction in Charleston.

Aggressive Marketing Pays Off For SCANA Software

SCANA Software Services, Inc. began aggressive marketing of its products and services in 1987, and this effort is proving successful.

During 1987, SCANA Software signed contracts with several utilities for the sale of a Fleet Management System, which allows companies to manage and analyze their equipment purchases and maintenance activities more cost effectively. In addition, SCANA Software contracted with a gas utility to provide a customized Distribution Construction Information System to satisfy specific construction management requirements. As a result of this project, SCANA Software will have a new gas system to add to its product portfolio.

SCANA Software also established an international presence during 1987. The Severn-Trent Water Authority of Birmingham, England signed a contract for a specially adapted version of the construction information system to meet its needs in the United Kingdom.

This aggressive sales posture, based on quality products and excellence in service, is positioning SCANA Software for continued growth. In addition to holding great promise for the future, this high-technology venture has contributed to the economic development of South Carolina through the creation of 70 new jobs.

MPX Continues Growth Strategy

Another high-tech subsidiary — MPX Systems, Inc., a provider of fiber optic telecommunications services — also had a good year in 1987. MPX increased its investment in SouthernNet, an interstate carrier that provides telecommunications services to Washington, D.C. and seven southeastern states, to a [illegible]% interest as of December 31, 1987. Equity earnings from this investment and income from the fiber optic lines built and operated by MPX made a positive contribution to SCANA's earnings in 1987. Plans are being made to add approximately 70 miles of fiber optic lines in South Carolina.

Surveying time, in many situations, can be cut in half by crews using electronic and computer-enhanced equipment like this T-1000, while greatly increasing accuracy.

Directors

J. K. Addy[1,2]
President
Addy Dodge, Inc.
Lexington, South Carolina

W. B. Bookhart, Jr.[3,5]
Partner
W. B. Bookhart Farms
Elloree, South Carolina

J. B. Edwards, DMD[1,5]
President
Medical University of South Carolina
Charleston, South Carolina

L. M. Gressette, Jr.
President
SCANA Corporation
Columbia, South Carolina

J. B. Guess, III[2,3]
Owner
Edisto Farms
Denmark, South Carolina

B. A. Hagood[3,4]
President
Wm. M. Bird and Co., Inc.
Charleston, South Carolina

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

W. H. Hipp[2,4]
President and Chief Executive Officer
The Liberty Corporation
Greenville, South Carolina

Avram Kronsberg[2,4]
President
Harrison & Company, Inc.
Charleston, South Carolina

F. C. McMaster[1,5]
President
Winnsboro Petroleum Company
Winnsboro, South Carolina

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

E. W. Pike, Jr.[1,4]
President
Colonial Development Company
Beaufort, South Carolina

Henry Ponder, Ph.D.[2,3]
President
Fisk University
Nashville, Tennessee

J. B. Rhodes[4,5]
Chief Executive Officer
Rhodes Oil Company, Inc.
Walterboro, South Carolina

V. C. Summer[3,5]
Chairman of the Board Emeritus
SCANA Corporation
Columbia, South Carolina

E. C. Wall, Jr.[1,4]
President
Canal Industries, Inc.
Conway, South Carolina

John A. Warren[1]
Chairman and
Chief Executive Officer
SCANA Corporation and Subsidiaries
Columbia, South Carolina

Directors Emeriti

W. R. Bruce
K. W. French
F. M. Hipp
J. H. Lumpkin
A. C. Mustard
J. E. Schachte, Jr.
A.M. Williams
John C. B. Smith
deceased (1-3-88)
W. H. Taylor
deceased (2-10-88)

Officers

John A. Warren[6]
Chairman of the Board and
Chief Executive Officer

L. M. Gressette, Jr.[7]
President and Treasurer

Cathy B. Novinger
Senior Vice President
Administration and
Governmental Affairs

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

C. B. McFadden
Vice President
Planning and Corporate Services

E. F. Frick
Assistant Vice President
Internal Audit

Barbara D. Blair[8]
Secretary

Harriett M. Gardner
Assistant Secretary

[1] Member of Executive Committee
[2] Member of Audit Committee
[3] Member of Corporate Performance and Strategic Planning Committee
[4] Member of Investment, Compensation and Management Development Committee
[5] Member of Nuclear Oversight Committee
[6] Also Chairman and CEO of all subsidiaries
[7] Also Vice Chairman of all subsidiaries where he is not President
[8] Secretary for all subsidiaries

South Carolina Electric & Gas Company

T. C. Nichols, Jr.[9]
President and
Chief Operating Officer

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

C. L. Rye
Senior Vice President
Power Delivery and Transportation

B. M. Smith, Jr.
Senior Vice President
Corporate and
Economic Development

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

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

V. R. Coward, Jr.
Vice President
Support Services

G. C. Croft, Jr.
Vice President
Transmission and Distribution
Engineering

W. A. Darby
Vice President
Gas Operations

R. D. Hazel
Vice President
Personnel and Corporate
Communications

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

John Kinloch
Vice President
Transit and Fleet Maintenance

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

D. C. McNamara
Vice President
Marketing

D. A. Nauman
Vice President
Nuclear Operations

E. C. Roberts
Vice President and General Counsel

Patricia T. Smith
Vice President
Purchasing and Regulatory Affairs

W. E. Moore
Assistant Vice President
Production Engineering

K. B. Marsh
Controller

J. G. Black, II
Assistant Treasurer

South Carolina Pipeline Corporation

Max Earwood[10]
President

R. M. Kightlinger
Vice President
Supply and Engineering

B. J. MacInnis
Vice President
Operations

Primesouth, Inc.

E. H. Crews, Jr.
President

J. M. Woods
Vice President

J. C. Chapman
Vice President

South Carolina Real Estate Development Company, Inc.

J. W. Wedding
President

A. H. Gibbes
Vice President

SCANA Software Services, Inc.

R. W. Stedman
President

J. D. Gregg
Vice President
Operations

[9] Also President of South Carolina Generating Company, Inc., South Carolina Fuel Company, Inc., and Carotane, Inc.

[10] Also Vice President of SCE&G and President of minor propane subsidiaries

MANAGEMENT REPORT

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

The Company maintains and relies upon a system of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the books and records and that assets are protected against loss or unauthorized use. The degree of internal accounting control is based upon the determination of the optimum balance between the cost incurred in maintaining a system of internal controls and the benefits to be derived. The system of internal accounting controls is supported by written policies and guidelines and is complemented by the selection, training and development of professional financial managers and by a staff of internal auditors who conduct comprehensive internal audits.

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

WBT

W. B. Timmerman
Senior Vice President
Chief Financial Officer

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Deloitte Haskins+Sells

Suite 820
1426 Main Street
Columbia, South Carolina 29201

SCANA CORPORATION:

We have examined the Consolidated Balance Sheets and Consolidated Statements of Capitalization of SCANA Corporation and consolidated subsidiaries ("Company") as of December 31, 1987 and 1986 and the related Consolidated Statements of Income and Retained Earnings and of Sources of Funds for Gross Property Additions for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such Consolidated Financial Statements present fairly the consolidated financial position of the Company at December 31, 1987 and 1986 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

February 8, 1988

December 31,	1987	1986
ASSETS	*(Thousands of Dollars)*	
Utility Plant (Notes 1, 2, 3 and 4):		
Electric	$ 2,574,138	$ 2,475,332
Gas	292,990	277,292
Transit	4,024	4,188
Common	37,102	23,622
Total	2,908,254	2,780,434
Less accumulated depreciation and amortization	797,752	722,996
Total	2,110,502	2,057,438
Construction work in progress	95,013	92,379
Nuclear fuel, net of accumulated amortization	62,445	51,535
Acquisition adjustment — gas, net of accumulated amortization	34,148	35,146
Utility Plant, Net	2,302,108	2,236,498
Other Property and Investments:		
Nonutility property (substantially at cost)	40,789	30,331
Investments (Note 1)	29,076	19,213
Total Other Property and Investments	69,865	49,544
Current Assets:		
Cash, temporary cash investments and special deposits	22,195	10,913
Receivables	105,041	107,078
Inventories (at average cost):		
Fuel (Note 3)	61,025	54,768
Materials and supplies	24,541	18,433
Prepayments	13,307	15,323
Total Current Assets	226,109	206,515
Deferred Debits:		
Unamortized debt expense	6,790	5,474
Accumulated deferred income taxes (Notes 1 and 7)	17,843	11,208
Unamortized deferred return on plant investment (Notes 1 and 2)	40,335	36,395
Nuclear plant decommissioning fund (Note 1)	7,238	5,128
Other	32,081	24,570
Total Deferred Debits	104,287	82,775
Total	$ 2,702,369	$ 2,575,332

See Notes to Consolidated Financial Statements.

December 31,	1987	1986
CAPITALIZATION (See Consolidated Statements of Capitalization)	*(Thousands of Dollars)*	
Stockholders' Investment:		
Common Equity	$ 871,620	$ 836,913
Preferred Stock (Not Subject to Purchase or Sinking Funds)	26,029	26,029
Total Stockholders' Investment	897,649	862,942
Preferred Stock (Subject to Purchase or Sinking Funds)	84,632	117,542
Long-Term Debt, Net	886,993	745,451
Total Capitalization	1,869,274	1,725,935
LIABILITIES		
Current Liabilities:		
Short-term borrowings (Note 8)	21,565	80,576
Current portion of long-term debt, net (Note 3)	24,719	21,930
Accounts payable	82,789	82,068
Customer deposits	15,260	13,417
Taxes accrued	36,400	45,836
Interest accrued	16,684	12,147
Dividends declared	25,621	25,966
Other	6,790	3,715
Total Current Liabilities	229,828	285,655
Deferred Credits:		
Accumulated deferred investment tax credits (Notes 1 and 7)	117,177	119,766
Accumulated deferred income taxes (Notes 1 and 7)	416,700	388,789
Accumulated reserve for nuclear plant decommissioning (Note 1)	7,238	5,128
Other	62,152	50,059
Total Deferred Credits	603,267	563,742
Commitments and Contingencies (Note 9)	—	—
Total	$ 2,702,369	$ 2,575,332

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME & RETAINED EARNINGS

For the Years Ended December 31,	1987	1986	1985
	(Thousands of Dollars except per share amounts)		
Operating Revenues (Notes 1 and 2):			
Electric	$ 806,826	$ 809,488	$ 787,796
Gas	305,934	289,429	318,856
Transit	3,212	3,119	3,689
Total Operating Revenues	1,115,972	1,102,036	1,110,341
Operating Expenses:			
Fuel used in electric generation	227,877	216,076	229,249
Power purchased, net	(12,486)	(2,823)	(8,821)
Gas purchased for resale	222,319	215,928	246,760
Other operation	169,356	155,588	143,016
Maintenance	57,995	56,864	60,836
Depreciation and amortization (Note 1)	92,583	90,627	86,899
Income taxes (Notes 1 and 7)	95,051	119,108	105,783
Other taxes	58,892	51,952	49,021
Total Operating Expenses	911,587	903,320	912,743
Operating Income	204,385	198,716	197,598
Other Income (Note 1):			
Allowance for equity funds used during construction	2,063	1,264	1,086
Deferred return on plant investment (Note 2)	6,063	12,450	12,881
Other income (loss), net of income taxes	(1,731)	(3,889)	1,754
Total Other Income	6,395	9,825	15,721
Income Before Interest Charges and Preferred Stock Dividends	210,780	208,541	213,319
Interest Charges (Credits):			
Interest on long-term debt, net	68,119	68,180	83,817
Other interest expense	5,155	5,771	1,789
Allowance for borrowed funds used during construction (Note 1)	(1,796)	(2,017)	(2,388)
Total Interest Charges, Net	71,478	71,934	83,218
Preferred Stock Cash Dividends of Subsidiary (At stated rates)	10,437	14,443	16,541
Net Income	128,865	122,164	113,560
Retained Earnings at Beginning of Year	262,671	230,549	202,988
Common Stock Cash Dividends Declared (Note 5)	(93,487)	(90,263)	(87,040)
Other Capital Stock Transactions, Net	(929)	221	1,041
Retained Earnings at End of Year	$ 297,120	$ 262,671	$ 230,549
Earnings Available for Common Stock	$ 128,865	$ 122,164	$ 113,560
Common Shares Outstanding (Thousands)	40,296	40,296	40,296
Earnings Per Share of Common Stock	$ 3.20	$ 3.03	$ 2.82

See Notes to Consolidated Financial Statements.

For the Years Ended December 31,	1987	1986	1985
SOURCES OF FUNDS		(Thousands of Dollars)	
Internally Generated:			
Net income	$ 128,865	$ 122,164	$ 113,560
Charges (credits) to income not requiring (providing) funds:			
Depreciation and amortization	92,583	90,627	86,899
Amortization of nuclear fuel	17,196	30,529	22,612
Deferred income taxes, net	20,627	33,635	42,497
Deferred investment tax credits, net	(2,589)	(9,593)	821
Allowance for funds used during construction	(3,859)	(3,281)	(3,474)
Deferred return on plant investment	(6,063)	(12,450)	(12,881)
Other, net	1,994	2,020	1,444
Funds provided from operations	248,754	253,651	251,478
Deduct cash dividends declared on common stock	93,487	90,263	87,040
Internally Generated Funds, Net	155,267	163,388	164,438
External Financing:			
Mortgage bonds sold	100,000	—	—
Pollution control bonds sold	4,365	1,100	5,500
Bank note sold	40,000	—	—
Increase (decrease) in fuel financings, net	13,938	(19,813)	(8,256)
Reduction of long-term debt	(13,001)	(89,459)	(44,966)
Retirement of preferred stock	(32,910)	(35,205)	(4,275)
Increase (decrease) in short-term borrowings, net	(59,011)	78,188	1,915
Funds from External Financing	53,381	(65,189)	(50,082)
Other Sources (Uses):			
(Increase) decrease in working capital, excluding short-term borrowings and current portion of long-term debt	(19,199)	29,273	15,048
Other changes in noncurrent balance sheet items, net	(19,990)	13,424	(4,371)
Other Sources (Uses)	(39,189)	42,697	10,677
Funds for Property Additions	169,459	140,896	125,033
Allowance for Funds Used During Construction	3,859	3,281	3,474
Gross Property Additions	$ 173,318	$ 144,177	$ 128,507

See Notes to Consolidated Financial Statements.

December 31,	1987		1986	
	(Thousands of Dollars)			
Common Equity (Note 5):				
Common stock, no par value, authorized 75,000,000 shares, issued and outstanding; 1987 and 1986 - 40,296,147 shares	$574,500		$574,242	
Retained earnings	297,120		262,671	
Total Common Equity	871,620	47%	836,913	49%

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

	Series	Shares Outstanding 1987	Shares Outstanding 1986	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1987		1986	
$100 Par	8.40%	197,668	197,668	104.70	11-30-91	101.00	19,767		19,767	
$50 Par	5.00%	125,234	125,234	52.50	—	52.50	6,262		6,262	
Total Preferred Stock (Not Subject to Purchase or Sinking Funds)							26,029	1%	26,029	1%

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

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

Series	Shares Outstanding 1987	Shares Outstanding 1986	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1987	1986
7.70%	108,000	113,894	101.00	—	101.00	10,800	11,389
8.12%	153,986	162,086	102.03	—	102.03	15,399	16,209
13.88%	—	250,000	—	—	—	—	25,000
	261,986	525,980					

$50 Par Value — Authorized, 1987 — 1,716,086 shares
1986 — 1,728,786 shares

Series	Shares Outstanding 1987	Shares Outstanding 1986	Redemption Price Current	Redemption Price Through	Redemption Price Eventual Minimum	1987	1986
4.50%	30,400	32,000	51.00	—	51.00	1,520	1,600
4.60%	12,834	14,334	50.50	—	50.50	642	717
4.60% (A)	42,052	44,052	51.00	—	51.00	2,102	2,202
4.60% (B)	102,000	105,400	50.50	—	50.50	5,100	5,270
5.125%	80,000	81,000	51.00	—	51.00	4,000	4,050
6.00%	108,800	112,000	50.50	—	50.50	5,440	5,600
8.00%	240,000	300,000	50.50	1-30-88	50.00	12,000	15,000
8.72%	315,125	365,400	53.00	12-31-88	50.00	15,756	18,270
9.40%	237,456	244,692	51.175	—	51.175	11,873	12,235
	1,168,667	1,298,878					

	1987		1986	
Total Preferred Stock (Subject to Purchase or Sinking Funds)	84,632	5%	117,542	7%

See Notes to Consolidated Financial Statements.

December 31,		1987		1986	
Long-Term Debt (Notes 3 and 4):		*(Thousands of Dollars)*			
South Carolina Electric & Gas Company:					
First and Refunding Mortgage Bonds:					
Series	Year of Maturity				
5-1/2%	1987	—		6,176	
4-7/8%	1988	10,000		10,000	
10-1/2%	1990	7,800		8,400	
5%	1990	10,000		10,000	
5%	1991	8,000		8,000	
4-7/8%	1995	16,000		16,000	
5.45%	1996	15,000		15,000	
6%	1997	15,000		15,000	
6-1/2%	1998	20,000		20,000	
8%	1999	35,000		35,000	
9-1/8%	1999	15,000		15,000	
8%	2001	35,000		35,000	
7-1/4%	2002	30,000		30,000	
9-1/8%	2006	50,000		50,000	
8.40%	2006	50,000		50,000	
8-3/8%	2007	30,000		30,000	
8.90%	2008	30,000		30,000	
10-1/8%	2009	35,000		35,000	
9-7/8%	2009	50,000		50,000	
12.15%	2010	35,890		35,890	
8-3/4%	2017	100,000		—	
Pollution Control Facilities Revenue Bonds:					
4-1/2% Series, due 1987		—		1,031	
5.95% Series, due 2003		7,220		7,285	
Fairfield County Series 1984, due 2014 (variable rate — 5.0% through 8/31/88)		57,000		57,000	
Richland County, due 2014 (variable rate — 5.0% through 8/31/88)		5,210		5,500	
Fairfield County Series 1986, due 2014 (variable rate — 5.375% through 8/31/88)		1,100		1,100	
Colleton and Dorchester Counties Series 1987, due 2014 (variable rate — 5.375% through 8/31/88)		4,365		—	
Consolidated Mortgage Gold Bonds 5% Series, due 1999 (noncallable)		949		949	
Lease Obligation, 5-3/4%, due 1997		225		240	
South Carolina Generating Company, Inc.:					
Berkeley County Pollution Control Facilities Revenue Bonds, due 2014 (variable rate — 5.875% through 9/30/88)		35,850		35,850	
Bank Note, due 1990 (variable rate — 7.75% at 12/31/87)		75,500		78,500	
South Carolina LNG Company, Inc.:					
10-1/2% Series First Mortgage Bonds, due 1990		3,450		4,600	
South Carolina Fuel Company, Inc.:					
Nuclear fuel liability		63,883		52,991	
Fossil fuel liability		20,129		17,083	
South Carolina Pipeline Corporation:					
6% Series A First Mortgage Bonds, due 1988		675		1,319	
South Carolina Real Estate Development Company, Inc.:					
Notes, due 1987-1991 (at various rates)		47		77	
SCANA Corporation:					
Bank Note, 8.32%, due 1989		40,000		—	
Total		913,293		767,991	
Less — Long-term debt maturities, including sinking fund requirements		24,719		21,930	
Unamortized discount		1,581		610	
Total Long-Term Debt		886,993	47%	745,451	43%
Total Capitalization		$1,869,274	100%	$1,725,935	100%

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies:

A. Organization and Principles of Consolidation

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

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

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

Non-regulated businesses
- Carolina LPG Corporation
- Carolina Propane Storage Corporation
- Carotane, Inc.
- MPX Systems, Inc.
- Primesouth, Inc.
- SCANA Capital Resources, Inc.
- SCANA Software Services, Inc.
- South Carolina Real Estate Development Company, Inc.
- Tirzah Corporation

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

B. System of Accounts

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

C. Utility Plant

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

SCE&G, operator of the V. C. Summer Nuclear Station (Summer Station), and the South Carolina Public Service Authority (a public corporation of the State of South Carolina) are joint owners of Summer Station in the proportions of two-thirds and one-third, respectively. The parties share the operating costs and energy output of the plant in these proportions. The total cost of the construction of Summer Station was approximately $1.3 billion, or about $1,461 per kilowatt, of which SCE&G's share was approximately $877 million. Accumulated depreciation associated with SCE&G's share of Summer Station was approximately $130.1 million and $96.1 million as of December 31, 1987 and 1986, respectively. SCE&G's share of the direct expenses associated with operating Summer Station is included in the Company's "Other operation" and "Maintenance" expenses.

D. Allowance for Funds Used During Construction

Allowance for funds used during construction (AFC), a noncash item, reflects the period cost of capital devoted to plant under construction. This accounting practice results in the inclusion, as a component of construction cost (construction work in progress), of the costs of debt and equity capital dedicated to construction investment. AFC will ultimately be included in rate base investment and depreciated as a component of plant cost in establishing rates for utility services. The Company's regulated subsidiaries calculated AFC using the following overall rates (computed on an after-tax basis):

	1987	1986	1985
SCE&G	8.4%	6.3%	9.5%
GENCO	5.3%	5.3%	5.7%
Pipeline Corporation	8.6%	8.6%	9.5%

These rates do not exceed the maximum allowable rate as calculated under FERC Order No. 561. Interest on nuclear fuel in process (refinement, conversion, enrichment and fabrication) is capitalized at the actual interest amount.

E. Deferred Return on Plant Investment

Commencing July 1, 1987, as approved by a July 1, 1987 PSC order, SCE&G ceased deferring carrying costs associated with 400 MW of electric generating capacity previously removed from rate base and began amortizing the accumulated deferred carrying costs (approximately $40.3 million at December 31, 1987) on a straight-line basis over a ten-year period (see Note 2A). Amortization of deferred carrying costs, included in "Depreciation and amortization", was approximately $2.1 million for 1987.

SCE&G's deferred return on plant investment meets the criteria for financial accounting recognition as prescribed by the Financial Accounting Standards Board (FASB) Statement No. 92 "Regulated Enterprises — Accounting for Phase-in Plans".

F. Depreciation and Amortization

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

	1987	1986	1985
SCE&G	3.34%	3.45%	3.42%
GENCO	2.67%	2.65%	2.66%
Pipeline Corporation	2.43%	3.37%	3.27%
Overall	3.26%	3.38%	3.35%

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

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

G. Nuclear Decommissioning

Decommissioning of Summer Station is projected to commence in the year 2014, and the expenditures (on a before-tax basis) related to SCE&G's share of decommissioning activities are currently estimated to be approximately $211 million (in 2014 dollars). SCE&G is providing for estimated decommissioning costs over the life of Summer Station and has established a reserve for this purpose. SCE&G is presently funding the reserve with amounts collected through electric rates (approximately $.8 million annually, net of taxes), and intends for the fund, including earnings, to provide for all eventual decommissioning expenditures on an after-tax basis.

H. Income Taxes

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

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

Investment tax credits are generally deferred and amortized over the useful lives of the respective assets. The Tax Reform Act of 1986 (the Tax Act) eliminated the generation of any significant amount of investment tax credits subsequent to December 31, 1985, except for credits relating to certain "transition property".

In December 1987, the FASB issued Statement No. 96, "Accounting for Income Taxes", effective for fiscal years beginning after December 15, 1988. This Statement requires the use of the "liability method" whereby a current or noncurrent deferred tax liability or asset would be recognized for deferred tax consequences of all temporary differences. Temporary differences include all existing differences that will result in taxable or deductible amounts in future years. Specifically, this Statement (1) requires that a deferred tax liability or asset be adjusted for the effect of a change in tax law or rates, (2) prohibits net-of-tax accounting and reporting, and (3) requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of AFC. The Company must apply Statement No. 96 no later than January 1989 and does not anticipate a significant impact on net income. The balance sheet will require certain reclassifications to comply with the provisions of this Statement.

(See Note 2 – Rate Matters and Management's Discussion and Analysis of Financial Condition and Results of Operation for a further discussion of the effects of the Tax Act.)

I. Pension Expense

The Company has a noncontributory defined benefit plan covering substantially all employees. Benefits are based on years of accredited service and the employee's average annual earnings received during the last 3 years of employment. The Company's policy has been to fund pension costs accrued to the extent permitted by the applicable Federal income tax regulations as determined by independent actuaries.

The Company adopted FASB Statement No. 87, "Employers' Accounting for Pensions", as of January 1, 1987, which requires, among other things, the use of the projected unit credit actuarial cost method for determining net periodic pension cost for financial reporting purposes. The adoption of the new accounting standard did not have a significant effect upon the Company's financial position or results of operations. The new standard was adopted prospectively, and accordingly, pension related disclosures for prior years have not been restated. Total pension cost for 1987, 1986 and 1985 was approximately $9.6 million, $10.4 million and $8.3 million, respectively.

Net periodic pension cost, as determined by an independent actuary in accordance with the provisions of Statement No. 87, for the year ended December 31, 1987, included the following components:

Year Ended December 31,	1987
	(Thousands of Dollars)
Service cost-benefits earned during the period	$ 6,057
Interest cost on projected benefit obligation	14,204
Less: Return on plan assets	5,058
Net amortization and deferral	5,560
Net periodic pension cost	$ 9,643

The following table sets forth the funded status of the plan, as determined by an independent actuary, at December 31, 1987:

Year Ended December 31,	1987
	(Thousands of Dollars)
Actuarial Present Value of Benefit Obligations:	
Vested benefit obligation	$142,589
Nonvested benefit obligation	7,584
Accumulated benefit obligation	150,173
Projected benefit obligation	184,853
Plan assets at fair value	167,487
Plan assets less than projected benefit obligation	(17,366)
Unrecognized net transition liability	21,812
Unrecognized net gain	(6,089)
Pension asset (liability) recognized in Consolidated Balance Sheets	$ (1,643)

The accumulated benefit obligation is based on the plan's benefit formulas without considering expected future salary increases. The projected benefit obligation considers future salary increases, at an assumed annual rate of 5.5%. Both benefit obligations were determined using an annual discount rate of 8.0%. The expected long-term rate of return on plan assets (primarily equity securities and government bonds) and discount rate used in determining pension cost for 1987 were 8.0% and 7.5%, respectively.

The unrecognized net transition liability represents the effect of adopting Statement No. 87. Such obligation (approximately

$23.9 million at January 1, 1987), was calculated by taking the difference between the fair value of plan assets and the projected benefit obligation. This liability is not recognized in the Company's consolidated financial statements, but is being amortized as a component of pension cost on a straight-line basis over the average remaining service period (19.6 years) of employees expected to receive benefits under the plan, except for approximately $7.5 million of prior service costs being amortized over a six-year period. The unamortized liability was $21.8 million at December 31, 1987.

Based on the application of accounting principles in existence prior to the adoption of Statement No. 87, estimated accumulated plan benefits, as determined by an independent actuary, and actual plan net assets at January 1, 1986, were as follows:

January 1,	1986
	(Thousands of Dollars)
Actuarial present value of accumulated plan benefits:	
Vested	$ 80,253
Nonvested	7,364
Retirees (Prior to June 1983)	45,473
Total	$133,090
Net assets available for benefits	$134,947

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%; except for assets dedicated to fund benefits for Retirees prior to June 1983 which are valued at 11%.

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

J. Revenue Recognition

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

Revenue attributable to gas costs (to the extent collectible through adjustment clauses) is accrued and recorded in the month during which the customers' meters are read.

Projected fuel costs for electric generation are collected through the fuel component in retail electric rates, as established by the PSC during semiannual fuel cost hearings. Any differences between actual and projected fuel costs are deferred and included when estimating the fuel cost component during the next semiannual fuel cost hearing. At December 31, 1987, SCE&G had over-collected approximately $1.5 million through the electric fuel clause component, which is included in "Deferred Credits - Other".

K. Debt Premium, Discount and Expense

Long-term debt premium, discount and expense are being amortized as components of "Interest on long-term debt, net" over the terms of the respective debt issues.

2. Rate Matters:

A. In an order dated July 1, 1987, the PSC approved SCE&G's January 30, 1987 request to restore to its rate base, effective July 1, 1987, the net production investment (approximately $102.5 million at July 1, 1987) associated with 400 MW of electric generating capacity previously removed by the PSC in its order dated March 2, 1984. The 1987 order also approved SCE&G's proposal to include in rate base the associated accumulated deferred carrying costs (approximately $42.5 million at July 1, 1987) and to begin amortizing these costs over a ten-year period commencing July 1, 1987 (see Note 1E). The July 1, 1987 PSC order has been appealed by the Consumer Advocate of South Carolina. While the outcome of this matter is uncertain, the Company believes the probability of any significant change in the rate order is unlikely and accordingly, has not recorded any provision for refunds.

B. On January 15, 1987, the PSC directed SCE&G to reduce its retail electric rates approximately $25 million annually, or 3%, due to anticipated income tax savings associated with the Tax Act as reported in SCE&G's study based on the results of operations for the year ended December 31, 1985. Rates implementing this reduction were placed in effect with the first billing cycle in February 1987.

On July 15, 1987, the PSC issued an order which required a hearing to be held on November 10, 1987 to receive evidence on whether SCE&G's electric retail rates could be lowered as a result of the Tax Act and also to review its earnings. On December 30, 1987, the PSC ordered a reduction, effective January 1, 1988, of $27.6 million annually, or 3.7%. This reduction was primarily due to the additional tax savings resulting from the Tax Act and a change in the method of recovery of municipal franchise taxes. The order set the return on common equity at 13.25%.

C. On January 11, 1988, the South Carolina Supreme Court denied the State Consumer Advocate's appeal of approximately $34 million of the March 2, 1984 order of the PSC granting SCE&G approximately $132.6 million annually in increased retail electric rates.

D. On December 1, 1987, the PSC issued an order granting SCE&G approximately $4.3 million of the $6.7 million annual increase in retail natural gas rates requested in an application filed on June 5, 1987. The order approved an allowed return on common equity of 12.75%. The new rates, which will provide an increase of approximately 3.8% in annual retail natural gas revenues, were placed into effect December 1, 1987.

E. In an order dated July 31, 1987, the FERC affirmed an Administrative Law Judge's decision relating to GENCO's filing of a cost of service formula rate for the sale of power and energy to SCE&G, with certain modifications to the appropriate rate of return. As a result of this order, GENCO has filed a revised rate schedule reflecting the effects of this decision and has requested a rehearing. The FERC has granted a rehearing, but no decision has been rendered. The Company believes that the outcome of the proceedings will not have a significant effect on its results of operations.

F. On December 22, 1987, the PSC issued an order granting SCE&G an increase in its transit rates in both Columbia and Charleston, South Carolina from a fare of $.25 to $.50. The new rates were placed into effect on January 1, 1988.

3. Long-Term Debt:

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

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

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

The annual amounts of long-term debt maturities, including the amounts due under nuclear and fossil fuel agreements (see Note 4), and sinking fund requirements for the years 1988 through 1992 are summarized as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1988	$ 24,719	1991	$17,478
1989	54,129	1992	9,442
1990	180,791		

Approximately $9.2 million of the current portion of long-term debt for 1988 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.

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

4. Fuel Financings:

Nuclear and fossil fuel inventories are financed through the issuance of short-term commercial paper. These short-term borrowings are supported by irrevocable bank lines of credit which expire in 1990. Accordingly, the amounts outstanding have been included in long-term debt. The bank lines provide for maximum amounts ($75 million related to nuclear fuel and $25 million related to fossil fuel) that may be outstanding at any time.

At December 31, 1987, the amount outstanding for nuclear fuel was approximately $63.9 million at a weighted average interest rate of 8.05% and the amount outstanding for fossil fuel was approximately $20.1 million at a weighted average interest rate of 8.11%.

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

The changes in "Common stock", without par value, during 1987, 1986 and 1985 are summarized as follows:

	Number of Shares	Thousands of Dollars
Balance January 1, 1985	40,296,147	$575,263
Other		343
Balance December 31, 1985	40,296,147	575,606
Other		(1,364)
Balance December 31, 1986	40,296,147	574,242
Other		258
Balance December 31, 1987	40,296,147	$574,500

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

The Restated Articles of Incorporation of the Company do not limit the dividends that may be payable on its common stock. However, the Restated Articles of Incorporation of SCE&G and the indentures underlying certain of its bond issues contain provisions that limit the payment of cash dividends on common stock. Accordingly, $286.8 million of consolidated retained earnings were not restricted as to payment of cash dividends on common stock at December 31, 1987.

Cash dividends on common stock were declared at an annual rate per share of $2.32, $2.24 and $2.16 for 1987, 1986 and 1985, respectively.

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

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

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

On May 29, 1987, SCE&G's Board of Directors called for the redemption of all the issued and outstanding shares of that company's 13.88% Series, $100 par value, cumulative preferred stock. On July 1, 1987, all 250,000 shares outstanding were redeemed at a price of 106.18%.

The aggregate annual amounts of purchase fund or sinking fund requirements for preferred stock for the years 1988 through 1992 are summarized as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1988	$ 5,948	1991	$2,515
1989	9,270	1992	2,515
1990	2,515		

The changes in "Preferred Stock (Subject to Purchase or Sinking Funds)" during 1987, 1986 and 1985 are summarized as follows:

	Number of Shares	Thousands of Dollars
Balance January 1, 1985	2,246,186	$156,789
Shares Redeemed:		
$100 par value	(20,550)	(2,055)
50 par value	(44,408)	(2,220)
Balance December 31, 1985	2,181,228	152,514
Shares Redeemed:		
$100 par value	(343,070)	(34,307)
50 par value	(13,300)	(665)
Balance December 31, 1986	1,824,858	117,542
Shares Redeemed:		
$100 par value	(263,994)	(26,399)
50 par value	(130,211)	(6,511)
Balance December 31, 1987	1,430,653	$ 84,632

7. Income Taxes:

Total income tax expense for 1987, 1986 and 1985 is as follows:

	1987	1986	1985
		(Thousands of Dollars)	
Current income taxes:			
Federal	$66,850	$ 82,637	$ 57,680
State	10,117	9,845	8,687
Foreign	—	(177)	674
Total current taxes	76,967	92,305	67,041
Deferred taxes, net:			
Federal	16,361	28,257	37,289
State	4,266	5,378	5,208
Total deferred taxes	20,627	33,635	42,497
Investment tax credits:			
Deferred	2,821	(1,486)	6,887
Amortization of amounts deferred (credit)	(5,410)	(8,107)	(6,065)
Other	241	500	694
Total investment tax credits	(2,348)	(9,093)	1,516
Total income tax expense	$95,246	$116,847	$111,054

Total income taxes differ from amounts computed by applying the statutory Federal income tax rate of 40% for 1987 and 46% for 1986 and 1985 to pre-tax income as follows:

	1987	1986	1985
		(Thousands of Dollars)	
Net income	$128,865	$122,164	$113,560
Total income tax expense:			
Charged to operating expenses	95,051	119,108	105,783
Charged to other income	195	(2,261)	5,271
Preferred stock dividends	10,437	14,443	16,541
Total pre-tax income	$234,548	$253,454	$241,155
Income taxes on above at statutory Federal income tax rate	$ 93,819	$116,589	$110,931
Increases (decreases) attributable to:			
Allowance for funds used during construction (excluding nuclear fuel)	(825)	(1,053)	(707)
Deferred return on plant investment, net of amortization	(1,575)	(5,727)	(5,925)
Depreciation differences	620	5,309	5,325
Amortization of investment tax credits	(5,410)	(8,107)	(6,065)
State income taxes (less Federal income tax effect)	8,630	8,220	7,503
Other differences, net	(13)	1,616	(8)
Total income tax expense	$ 95,246	$116,847	$111,054

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

	1987	1986	1985
		(Thousands of Dollars)	
Charged to expenses:			
Accelerated depreciation and amortization	$31,543	$40,367	$46,084
Deferred fuel revenue	(2,041)	(4,616)	(801)
Other, net	(8,875)	(2,116)	(2,786)
Total provision for deferred income taxes, net	$20,627	$33,635	$42,497

The Internal Revenue Service has examined the consolidated Federal income tax returns of the Company through 1984 and has closed all years through 1980. A final report has been received for 1981 and all issues resolved. In addition, a final report for 1982 through 1984 has been received and all issues resolved, except those pertaining to the deductibility of certain nuclear liability insurance premiums. The Company does not anticipate any significant effect on its results of operation or financial position resulting from the resolution of these issues.

At December 31, 1987, the cumulative net amount of income tax timing differences on which deferred taxes have not been provided totaled approximately $95 million.
(See Note 1H.)

8. Short-Term Borrowings:

The Company pays fees to banks as compensation for its lines of credit. Bank loans are for 270 days or less. Details of lines of credit and short-term borrowings at December 31, 1987, 1986 and 1985 and for the years then ended are as follows:

	December 31,		
	1987	1986	1985
	(Dollars in Millions)		
Lines of credit at year-end	$ 90.2	$133.2	$87.9
Short-term borrowings (including commercial paper) during the year:			
Maximum outstanding	$133.1	$111.2	$ 4.5
Average outstanding	$ 39.1	$ 45.7	$ 1.1
Weighted daily average interest rates:			
Credit lines	7.07%	7.40%	8.53%
Commercial paper	6.65%	6.76%	—
Short-term borrowings outstanding at year-end:			
Credit lines	$ 2.25	$ 2.25	$ 2.25
Weighted average interest rate	8.76%	6.25%	8.57%
Commercial paper	$ 19.2	$ 78.2	—
Weighted average interest rate	8.30%	6.67%	—

9. Commitments and Contingencies:

A. Leases

SCE&G leases certain equipment, office furniture and an office building under long-term operating leases with lease terms (excluding various renewal options) expiring in 1996, 1991 and 2009, respectively.

Total rent expense was approximately $5.1 million, $4.4 million, and $5.0 million for 1987, 1986 and 1985, respectively.

Future minimum rental payments as of December 31, 1987 are as follows:

Year	Amount	Year	Amount
	(Thousands of Dollars)		
1988	$4,989	1991	$ 5,820
1989	6,918	1992	5,060
1990	7,124	1993-2009	112,320

B. Nuclear Insurance

The Price-Anderson Indemnification Act (the Act) which deals with SCE&G's public liability for a nuclear incident, expired on August 1, 1987. In late July 1987, Congress extended the protection provided by the Act until new legislation is passed. The Act currently limits the liability for third-party claims to $720 million per incident. The Act provides that all owners of nuclear reactors may be liable for up to $5 million per reactor owned for each nuclear incident occurring at any reactor in the United States with a limit of two assessments per year (a retroactive premium). SCE&G's maximum assessment, based on its two-thirds ownership of Summer Station, would be approximately $6.7 million per year.

Proposed legislation is currently pending in the House of Representatives and Senate. One proposed version would raise the liability limit for third-party claims associated with any nuclear incident to $7 billion. Under this proposal, each reactor licensee may be liable for up to $63 million per reactor owned for each nuclear incident occurring at any reactor in the United States, provided that not more than $10 million of this liability would be assessed per year. SCE&G's maximum assessment, based on its two-thirds ownership of Summer Station, would be approximately $42 million per incident, but not more than $6.7 million per year. SCE&G is unable to predict what action Congress might ultimately take regarding the Act and what effect such action might have on SCE&G's potential liability.

SCE&G currently maintains policies with Nuclear Electric Insurance Limited (NEIL) and American Nuclear Insurers (ANI) providing combined property and decontamination insurance coverage of $895 million for any losses in excess of $500 million pursuant to existing primary coverages (with ANI) on Summer Station. SCE&G pays annual premiums and, in addition, could be assessed a retroactive premium not to exceed 7½ times its annual premium, in the event of property damage loss to any nuclear generating facilities covered by NEIL. Based on the current annual premium, this retroactive premium would be approximately $5.3 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 would exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that SCE&G's rates would not recover the cost of any purchased replacement power, SCE&G will retain the risk of loss as a self-insurer. SCE&G has no reason to anticipate a serious nuclear incident at Summer Station. If such an incident were to occur, it could have a materially adverse impact on the Company's financial position.

10. *Segment of Business Information:*

Segment information at December 31, 1987, 1986 and 1985 and for the years then ended is as follows:

1987	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 806,826	$305,934	$ 3,212	$1,115,972
Operating expenses, excluding depreciation and amortization	539,604	271,644	7,756	819,004
Depreciation and amortization	82,758	9,519	306	92,583
Total operating expenses	622,362	281,163	8,062	911,587
Operating income (loss)	$ 184,464	$ 24,771	$(4,850)	204,385
Add — Other income, net				6,395
Less — Interest charges				71,478
— Preferred stock dividends				10,437
Net income				$ 128,865
Capital expenditures: Identifiable	$ 146,281	$ 21,034	$ 333	$ 167,648
Utilized for overall Company operations				5,670
Total				$ 173,318
Identifiable assets at December 31, 1987:				
Utility plant, net	$2,039,752	$225,503	$ 1,783	$2,267,038
Inventories	74,977	6,859	374	82,210
Total	$2,114,729	$232,362	$ 2,157	2,349,248
Assets utilized for overall Company operations				353,121
Total assets				$2,702,369

1986	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 809,488	$289,429	$ 3,119	$1,102,036
Operating expenses, excluding depreciation and amortization	544,067	261,712	6,914	812,693
Depreciation and amortization	80,825	9,557	245	90,627
Total operating expenses	624,892	271,269	7,159	903,320
Operating income (loss)	$ 184,596	$ 18,160	$(4,040)	198,716
Add — Other income, net				9,825
Less — Interest charges				71,934
— Preferred stock dividends				14,443
Net income				$ 122,164
Capital expenditures: Identifiable	$ 110,249	$ 20,981	$ 247	$ 131,477
Utilized for overall Company operations				12,700
Total				$ 144,177
Identifiable assets at December 31, 1986:				
Utility plant, net	$1,988,769	$214,299	$ 1,778	$2,204,846
Inventories	62,930	6,845	320	70,095
Total	$2,051,699	$221,144	$ 2,098	2,274,941
Assets utilized for overall Company operations				300,391
Total assets				$2,575,332

1985	Electric	Gas	Transit	Total
	(Thousands of Dollars)			
Operating revenues	$ 787,796	$318,856	$ 3,689	$1,110,341
Operating expenses, excluding depreciation and amortization	528,773	289,868	7,203	825,844
Depreciation and amortization	77,658	9,033	208	86,899
Total operating expenses	606,431	298,901	7,411	912,743
Operating income (loss)	$ 181,365	$ 19,955	$(3,722)	197,598
Add — Other income, net				15,721
Less — Interest charges				83,218
— Preferred stock dividends				16,541
Net income				$ 113,560
Capital expenditures: Identifiable	$ 97,525	$ 24,091	$ 609	$ 122,225
Utilized for overall Company operations				6,282
Total				$ 128,507
Identifiable assets at December 31, 1985:				
Utility plant, net	$1,988,372	$203,060	$ 2,159	$2,193,591
Inventories	51,356	7,337	298	58,991
Total	$2,039,728	$210,397	$ 2,457	2,252,582
Assets utilized for overall Company operations				291,117
Total assets				$2,543,699

11. *Quarterly Financial Data (Unaudited):*

1987	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	$309,294	$258,146	$296,061	$252,471	$1,115,972
Operating income (000)	57,007	42,978	68,039	36,361	204,385
Net income (000)	40,978	23,873	47,537	16,477	128,865
Earnings per share of common stock as reported	1.02	.59	1.18	.41	3.20

1986	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Total operating revenues (000)	$301,445	$247,363	$289,857	$263,371	$1,102,036
Operating income (000)	56,010	40,546	62,920	39,240	198,716
Net income (000)	34,343	23,922	41,942	21,957	122,164
Earnings per share of common stock as reported	.85	.59	1.04	.55	3.03

COMMON STOCK INFORMATION

	1987				1986			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Price Range: (a)								
High	33	34-1/2	35-1/8	40	39-7/8	42-7/8	36-3/4	33-1/4
Low	26-1/2	30-5/8	30-7/8	34-3/8	36	34-1/2	31-1/4	27-1/8

Dividends Per Share:

1987	Amount	Date Declared	Date Paid
First Quarter	$.58	January 28, 1987	April 1, 1987
Second Quarter	.58	April 22, 1987	July 1, 1987
Third Quarter	.58	August 26, 1987	October 1, 1987
Fourth Quarter	.58	October 28, 1987	January 1, 1988

1986	Amount	Date Declared	Date Paid
First Quarter	$.56	January 22, 1986	April 1, 1986
Second Quarter	.56	April 23, 1986	July 1, 1986
Third Quarter	.56	July 23, 1986	October 1, 1986
Fourth Quarter	.56	October 22, 1986	January 1, 1987

	December 31, 1987	December 31, 1986
Number of common shares outstanding	40,296,147	40,296,147
Number of common stockholders of record	49,932	51,738

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

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

Liquidity And Capital Resources

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

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

During 1987, the PSC issued orders requiring SCE&G to reduce its retail electric rates to reflect income tax savings associated with the Tax Act (see Note 2B of Notes to Consolidated Financial Statements). The tax savings result from a reduction in the Federal corporate income tax rate from 46% to 34%, effective July 1, 1987. Because the Company is fully normalized with respect to investment tax credit and tax depreciation, the Company does not anticipate a significant effect on its results of operations or financial position, but internal cash flow will be reduced in future years primarily due to the repeal of the investment tax credit retroactive to January 1, 1986, and the lengthening of depreciable lives for certain utility property. The impact of this reduction will depend upon the level of construction expenditures in future years. In addition, the inclusion of unbilled revenues and contributions in aid of construction in current taxable income, the treatment of certain expenses which now must be capitalized for tax purposes and other provisions in the Tax Act could further restrict cash flow in 1988 and subsequent years.

Continued growth in the Company's nonutility operations, along with future economic expansion throughout the utility service territory, could have a positive impact on total Company earnings.

The primary cash requirements for 1987 were, and as estimated for 1988 are, as follows:

	1988	1987
	(Thousands of Dollars)	
Construction expenditures, excluding allowance for funds used during construction (AFC)	$172,677	$142,337
Nuclear fuel expenditures	10,931	27,122
Maturing obligations, redemptions and sinking and purchase fund requirements	21,466	104,922
Total	$205,074	$274,381

During 1987, approximately 56.6% of total cash requirements were provided from internal sources as compared to 57.3% in 1986. External funds for 1987 were provided through the issuance of $100 million principal amount of First and Refunding Mortgage Bonds, 8-3/4% Series due February 1, 2017, the sale of $4.365 million in tax-exempt annual tender Pollution Control Facilities Revenue Bonds due 2014 and a $40 million Bank Note due 1989.

The Company anticipates that 1988 cash requirements will be met primarily through internally generated funds, short-term borrowings and the sale of commercial paper. Actual 1988 construction and nuclear fuel expenditures may vary from the estimates set forth above due to factors such as inflation and economic conditions, regulation and legislation, rates of load growth, environmental protection standards and the cost and availability of capital.

SCE&G presently has in effect a shelf registration statement under which it can issue an additional $100 million of First and Refunding Mortgage Bonds. Whether additional securities will be sold and the timing and amount of such sales will depend primarily upon market conditions and other factors.

For information relating to operations of the Company's subsidiaries see pages 8 through 25.

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 1985 through 1987 were as follows:

	1987	1986	1985
Earnings per share	$3.20	$3.03	$2.82
Percent increase (decrease) in earnings per share	5.6%	7.4%	(7.5%)
Return earned on common equity (year-end)	14.8%	14.6%	14.1%

Earnings per share increased from 1986 primarily as a result of higher sales of electric energy and natural gas and a reduction in preferred stock dividends associated with early redemptions of preferred stock issues (see Note 6 of Notes to Consolidated Financial Statements). The increase in earnings per share for 1986 resulted primarily from higher electric energy sales related to the 1986 summer heat wave, lower interest charges and reduced dividend requirements on preferred stock.

AFC is a utility accounting practice whereby a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the balance sheet as construction work in progress) is capitalized. Both the equity and the debt portions of AFC, are noncash items of nonoperating income which have the effect of increasing reported net income. AFC represented approximately 3% of Earnings Available for Common Stock in 1987, 1986 and 1985.

During the period March 1984 through June 1987, the Company recorded carrying costs (including equity return) associated with the production investment, net of accumulated depreciation, relating to 400 MW of electric generating capacity removed from rate base. Total deferred carrying costs, a noncash item included under "Other Income" as "Deferred return on plant investment" represent approximately 5%, 10% and 11% of Earnings Available for Common Stock for the years 1987, 1986 and 1985, respectively. Commencing July 1, 1987, the Company ceased deferring carrying costs and began amortizing the accumulated deferred carrying costs over a ten-year period. (See Notes 1E and 2A of Notes to Consolidated Financial Statements.)

In February 1988, the Company's Board of Directors raised the quarterly cash dividend on common stock to 60 cents per share from 58 cents per share. The increase, effective with the dividend payable on April 1, 1988, raised the indicated annual dividend rate to $2.40 per share, up from $2.32. The Company has increased the dividend rate on its common stock in 35 of the last 36 years.

Operating Margins

Electric operating margins for 1987, 1986 and 1985 were as follows:

	1987	1986	1985
	(Millions of Dollars)		
Electric operating revenues	$806.8	$809.5	$787.8
Less - Fuel used in electric generation	227.9	216.1	229.2
- Power purchased, net	(12.5)	(2.8)	(8.8)
Total	$591.4	$596.2	$567.4

The 1987 operating margin remained relatively unchanged from 1986 because sales associated with increased kilowatt-hour consumption were offset by reduced retail electric rates placed in effect in February 1987. (See Note 2B of Notes to Consolidated Financial Statements.) The increase in the 1986 operating margin resulted primarily from increased kilowatt-hour consumption by residential and commercial customers. Such increase was largely due to the addition of residential (3.1%) and commercial (4.4%) customers.

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

	Increase (Decrease) From Prior Year			
	Customers		Volume (MWH)	
Classification	1987	1986	1987	1986
Residential	8,936	10,584	181,840	434,464
Commercial	2,296	2,092	184,359	233,748
Industrial	(32)	(17)	186,217	31,956
Sale for resale	—	(1)	50,524	(59,688)
Other	67	43	7,035	22,765
Total	11,267	12,701	609,975	663,245

The increase in Fuel used in electric generation expense for 1987 was due primarily to additional fossil fuel requirements (at unit costs higher than nuclear generation) associated with increased electric generation resulting from an overall increase in customer demand and the scheduled refueling of V. C. Summer Nuclear Station from March 6 through June 7, 1987. The decrease for 1986 was primarily attributable to a reduction in the average cost of fuel burned ($1.45 and $1.63 per million BTU in 1986 and 1985, respectively), primarily attributable to nuclear fuel. Power purchased, net decreased for 1987 largely due to greater demand for electricity by other utilities and increased for 1986 primarily because of lower demand for electricity by other utilities.

As a result of unusually hot weather and an increase in the number of electric customers, the Company set a series of peak demand records during the summer of 1987, with the highest peak of 2,943 MW occurring on August 10, 1987, the previous year's record of 2,853 MW having been set on July 9, 1986.

Gas operating margins for 1987, 1986 and 1985 were as follows:

	1987	1986	1985
	(Millions of Dollars)		
Gas operating revenues	$306.0	$289.4	$318.9
Less - Gas purchased for resale	222.3	215.9	246.8
Total	$ 83.7	$ 73.5	$ 72.1

The increases in gas operating margins are primarily the result of increases in customers and decatherm (DT) sales of natural gas as presented in the following table:

	Increase (Decrease) From Prior Year			
	Customers		Volume (DT)	
Classification	1987	1986	1987	1986
Residential	1,791	1,442	1,466,477	487,447
Commercial	586	532	768,576	207,888
Industrial	12	(35)	2,080,800	(2,353,490)
Sale for resale	8	—	1,910,585	4,124,761
Total	2,397	1,939	6,226,438	2,466,606

The increase in Gas purchased for resale in 1987 reflects increased customer demand for natural gas. The decrease for 1986 reflects reductions in the cost of gas purchased from the Company's suppliers.

Other Operating Expenses

Increases (decreases) in other operating expenses, including taxes, are presented in the following table:

	Increase (Decrease) From Prior Year	
Classification	1987	1986
	(Millions of Dollars)	
Other operation and maintenance	$ 14.9	$ 8.6
Depreciation and amortization	2.0	3.7
Income taxes	(24.1)	13.3
Other taxes	6.9	2.9
Total	$ (.3)	$28.5

Other operation and maintenance expenses for 1987 increased primarily because of additional operating expenses for outside professional services relating to the refueling at Summer Station. The increase in 1986 was largely due to the settlement of certain claims relating to injuries and damages and moderate increases in other administrative and general expenses. Increases in Depreciation and amortization expense for 1987 and 1986 reflect additions to plant in service and the amortization of deferred carrying costs beginning July 1, 1987 (see Note 1E of Notes to Consolidated Financial Statements). The increase for 1987 was partially offset by the effect of lower electric depreciation rates beginning July 1, 1987. The decrease in Income tax expense for 1987 results primarily from a reduction in the Federal corporate income tax rate effective July 1, 1987 and lower pre-tax income resulting from a reduction in retail electric rates. The increase in 1986 was largely due to an increase in pre-tax income. Increases in Other taxes for 1987 and 1986 primarily reflect additional property taxes.

Interest Charges

Interest on long-term debt decreased $.1 million in 1987 and $15.6 million in 1986 compared to the respective previous years. The decreases in 1987 and 1986 resulted from the early redemption of $60 million principal amount of the 15-1/2% Guaranteed Notes of South Carolina Electric & Gas Finance, N.V. in April 1986. The decrease for 1987 was offset by interest associated with the issuance of $100 million principal amount of 8-3/4% Series First and Refunding Mortgage Bonds in February 1987.

Other interest expense decreased $.6 million in 1987 and increased $4.0 million in 1986 compared to the respective previous years. These changes reflect the decrease and increase, respectively, in short-term borrowings from the previous year.

For the Years Ended December 31,	1987	1986	1985	1984	1983	1982	1977
	(Thousands of Dollars except statistics and per share amounts)						
Statement of Income Data							
Operating Revenues:							
Electric	$ 806,826	$ 809,488	$ 787,796	$ 746,745	$634,127	$574,113	$344,964
Gas	305,934	289,429	318,856	378,491	337,282	266,389	78,405
Transit	3,212	3,119	3,689	3,178	3,242	2,603	2,023
Total Operating Revenues	1,115,972	1,102,036	1,110,341	1,128,414	974,651	843,105	425,392
Operating Expenses:							
Fuel used in electric generation	227,877	216,076	229,249	223,768	260,381	214,617	155,132
Gas purchased for resale	222,319	215,928	246,760	289,212	277,091	220,502	51,321
Other operation and maintenance	214,865	209,629	195,031	187,448	135,374	147,840	50,144
Depreciation and amortization	92,583	90,627	86,899	74,914	45,000	43,406	30,339
Taxes	153,943	171,060	154,804	153,776	106,932	77,033	66,684
Total Operating Expenses	911,587	903,320	912,743	929,118	824,778	703,398	353,620
Operating Income	204,385	198,716	197,598	199,296	149,873	139,707	71,772
Total Other Income	6,395	9,825	15,721	17,647	11,571	5,230	25,566
Income Before Interest Charges and Preferred Stock Dividends	210,780	208,541	213,319	216,943	161,444	144,937	97,338
Total Interest Charges, Net	71,478	71,934	83,218	78,248	57,506	57,121	39,003
Preferred Stock Cash Dividends of Subsidiary	10,437	14,443	16,541	16,877	17,186	16,371	10,653
Net Income	$ 128,865	$ 122,164	$ 113,560	$ 121,818	$ 86,752	$ 71,445	$ 47,682
Common Shares Outstanding (Thousands)	40,296	40,296	40,296	39,900	37,844	34,387	19,833
Earnings Per Share of Common Stock	$3.20	$3.03	$2.82	$3.05	$2.29	$2.08	$2.40
Dividends Declared Per Share of Common Stock	$2.32	$2.24	$2.16	$2.05	$2.00	$1.92	$1.56
Percent of Operating Income (Loss) Before Income Taxes:							
Electric	91	93	92	87	93	98	94
Gas	12	9	10	15	10	5	8
Transit	(3)	(2)	(2)	(2)	(3)	(3)	(2)

December 31,	1987	1986	1985	1984	1983	1982	1977
Balance Sheet Data	*(Thousands of Dollars except statistics and per share amounts)*						
Gross Utility Plant	$3,099,860	$2,959,494	$2,859,117	$2,764,809	$2,509,581	$2,411,479	$1,489,111
Total Assets	$2,702,369	$2,575,332	$2,543,699	$2,499,694	$2,358,134	$2,202,755	$1,361,222
Common Equity	$ 871,620	$ 836,913	$ 806,155	$ 778,251	$ 709,908	$ 659,135	$ 366,813
Preferred Stock Subject to Purchase or Sinking Fund Requirements	84,632	117,542	152,514	156,789	160,604	163,619	109,794
Preferred Stock Not Subject to Purchase or Sinking Fund Requirements	26,029	26,029	26,262	26,262	26,262	26,262	26,262
Long-Term Debt, Net	886,993	745,451	785,021	893,950	789,216	854,844	585,307
Total Capitalization	$1,869,274	$1,725,935	$1,769,952	$1,855,252	$1,685,990	$1,703,860	$1,088,176
Common Shares Outstanding (Year-End) (Thousands)	40,296	40,296	40,296	40,296	38,728	36,526	20,359
Book Value Per Share of Common Stock (Year-End)	$21.63	$20.77	$20.01	$19.31	$18.33	$18.05	$18.02
Other Statistics							
Electric:							
Customers (Year-End)	417,778	406,511	393,810	378,960	366,424	356,709	320,476
Sales (Million KWH)	14,314	13,704	13,041	12,590	12,063	11,490	11,155
Residential:							
Average annual use per customer (KWH)	12,988	12,821	11,992	12,061	12,009	11,712	12,146
Average annual rate per KWH	$.0724	$.0759	$.0774	$.0757	$.0642	$.0637	$.0412
Generating Capability - Net MW (Year-End)	3,890	3,890	3,959	3,959	3,359	3,359	2,852
Territorial Peak Demand - Net MW	2,943	2,853	2,703	2,596	2,700	2,463	2,216
Gas:							
Customers (Year-End)	195,338	192,941	191,002	189,544	187,638	186,320	161,850
Sales (Thousand Therms)	734,145	671,881	647,215	737,059	671,429	590,257	468,786
Residential:							
Average annual use per customer (therms)	627	548	524	618	610	570	734
Average annual rate per therm	$.68	$.68	$.67	$.69	$.65	$.56	$.26
Transit:							
Number of Coaches	108	117	122	123	112	104	96
Revenue Passengers Carried (Thousands)	8,668	8,699	9,032	9,658	9,744	10,720	8,971

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

Mailing Address
SCANA Corporation
Columbia, SC 29218

Common and Preferred Stock Listings
The common stock of SCANA Corporation is listed and traded on the New York Stock Exchange. The ticker symbol is **SCG**. The corporate name **SCANA** is used in newspaper stock listings.
The 5% series cumulative preferred stock of SCE&G is also listed and traded on the New York Stock Exchange. The ticker symbol is **SAC Pr**; the newspaper listing is **SCrE pf**.

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

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

Stockholder Inquiries
Questions concerning dividend accounts or related stockholder matters should be directed in writing to the Stockholder Records Department (054) at the Company's mailing address.

Auditors
Deloitte Haskins & Sells
Certified Public Accountants
1426 Main Street, Suite 820
Columbia, SC 29201

Recordkeeping and Paying Agents
Common Stock:
SCANA Corporation
Stockholder Records Department (054)
Columbia, SC 29218

SCE&G Preferred Stock:
South Carolina National Bank
Securities Transfer Services
101 Greystone Boulevard
Columbia, SC 29226

Transfer Agents
Common Stock:
South Carolina National Bank
Securities Transfer Services
101 Greystone Boulevard
Columbia, SC 29226

Manufacturers Hanover Trust Company
Stock Transfer Department - 8th Floor
450 West 33rd Street
New York, NY 10001

SCE&G Preferred Stock:
South Carolina National Bank
Securities Transfer Services
101 Greystone Boulevard
Columbia, SC 29226

The Chase Manhattan Bank, N.A.
Stock Transfer Department
P.O. Box 469, Washington Bridge Station
New York, NY 10033

Bond Trustee and Paying Agent
SCE&G First and Refunding Mortgage Bonds:
Manufacturers Hanover Trust Company
Corporate Trust Department - 10th Floor
600 Fifth Avenue
New York, NY 10020

Investor Communications
Interim reports providing updated financial information and Company news are sent to stockholders following the close of the first, second and third quarters. A copy of SCANA's Annual Report on Form 10-K (as filed with the Securities and Exchange Commission) and the Statistical Supplement to the 1987 Annual Report are available to stockholders and others without charge. Inquiries concerning activities of SCANA Corporation and requests for publications should be addressed to the Investor Relations Department (054) at the Company's mailing address.

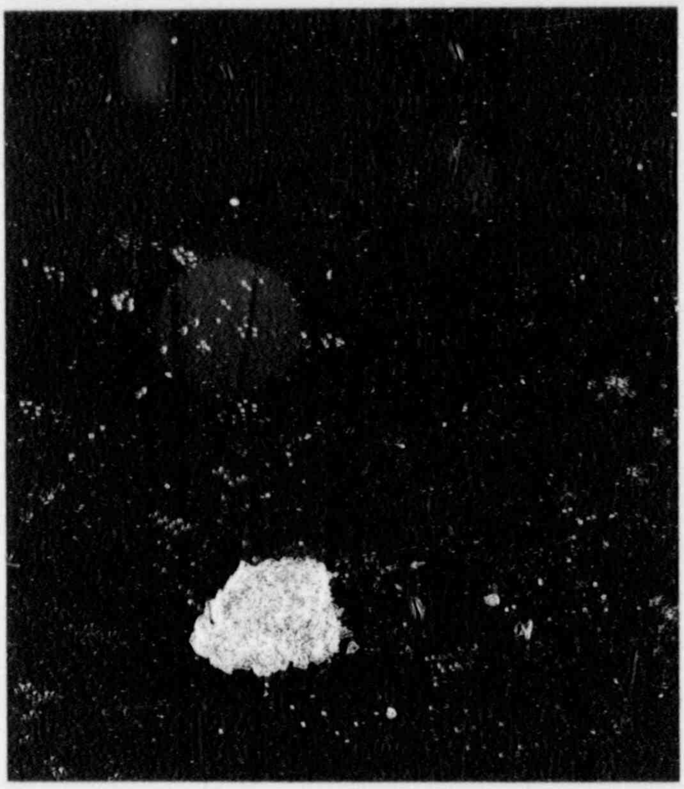
Analyst's Contact
H. John Winn, III
Manager-Investor Relations
Telephone: (803) 748-3240

Investors' Association
For information about this organization's activities, write to Association of SCANA Investors, c/o Mr. Paul Quattlebaum, Jr., 63 East Bay Street, Charleston, SC 29401

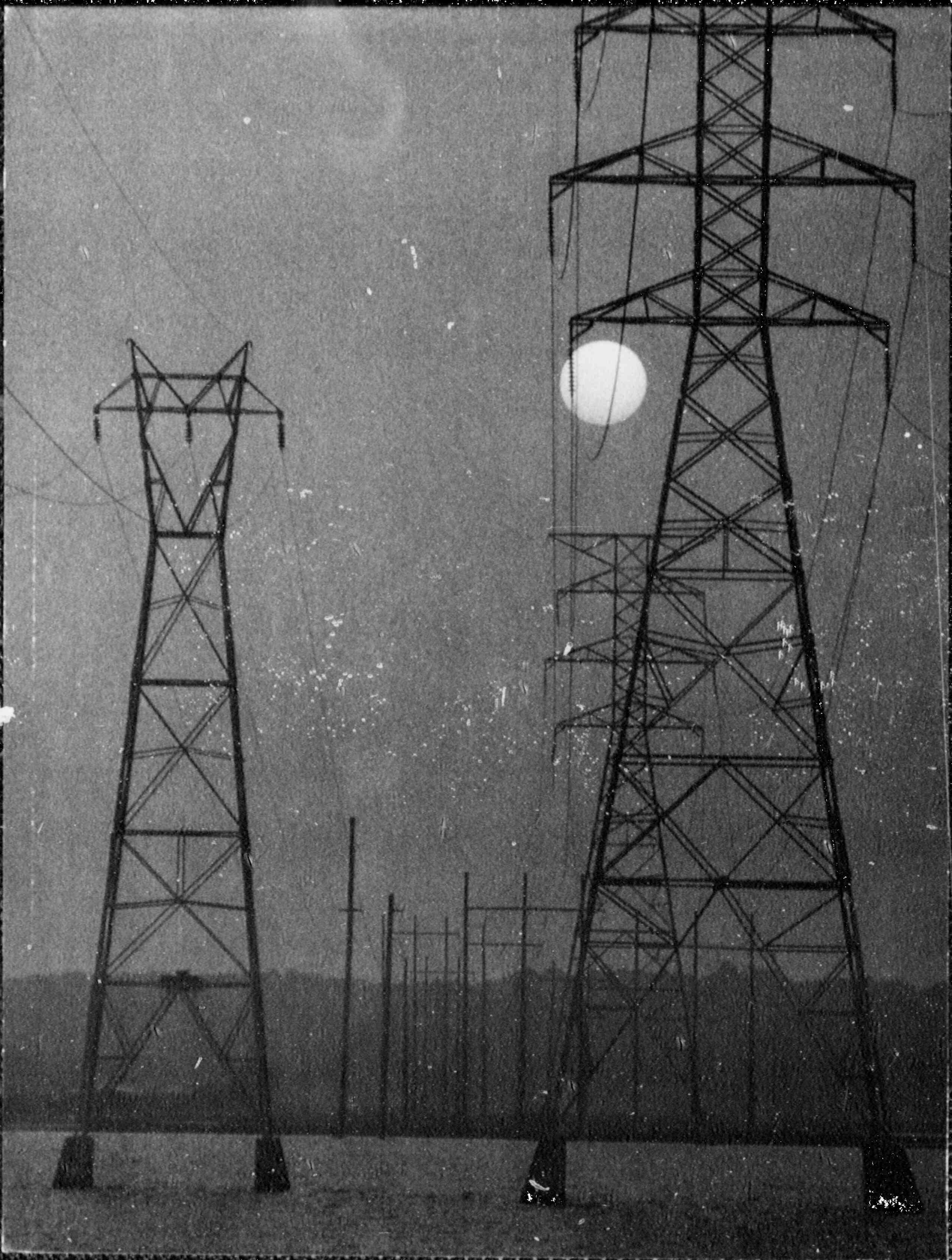
This report is issued solely for the purpose of providing information. It is not intended for use in connection with any sale or purchase of, or any solicitation of offers to buy or sell, any securities.

SCANA CORPORATION
Columbia, South Carolina 29218

New Directions



Santee Cooper
1987 Annual Report

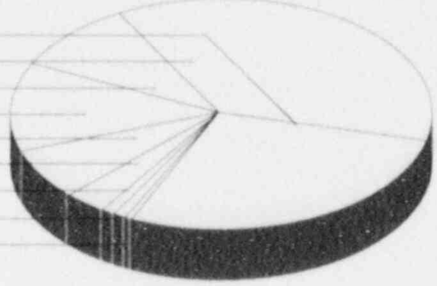


Financial Summary

SOURCE OF INCOME

Fiscal Year 1987

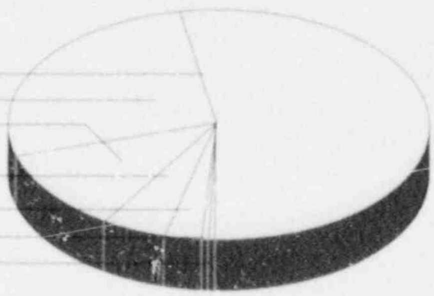
Sales to Electric Co-ops	$207,248,603	41.03%
Industrial Sales	$139,206,817	27.56%
Residential	$ 52,433,236	10.38%
Commercial	$ 50,998,273	10.10%
Other Income	$ 24,996,744	4.95%
Military	$ 18,220,367	3.61%
Other Sales for Resale	$ 5,642,454	1.12%
Other Electric Revenue	$ 4,634,215	0.92%
Municipals	$ 1,675,090	0.33%



DISTRIBUTION OF INCOME

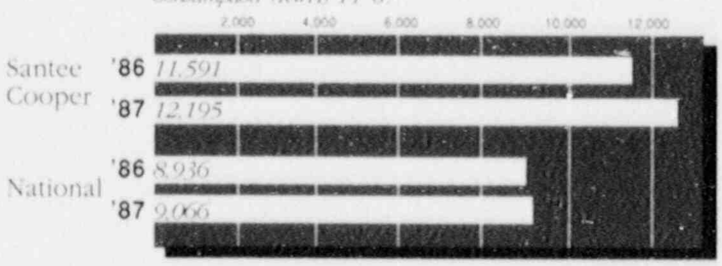
Fiscal Year 1987

Fuel & Purchased Power	$181,952,053	36.03%
Interest	$146,466,670	29.00%
Operation & Maintenance	$ 91,694,054	18.16%
Additions to Plant, Investments, Etc	$ 50,227,772	9.94%
Retirement of Debt	$ 30,866,471	6.11%
Payments to the State	$ 2,003,036	0.40%
Sums in Lieu of Taxes	$ 1,845,743	0.36%

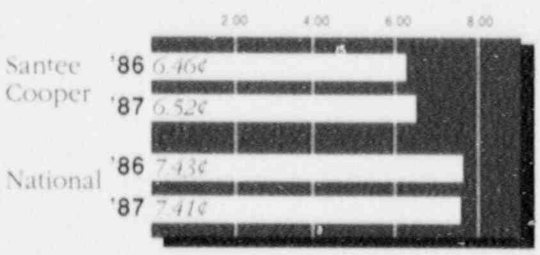


AVERAGE RESIDENTIAL CONSUMPTION & COST

Consumption (KWH) FY 87



Costs (Cents / KWH) FY 87



Since Santee Cooper was created in 1934, a net amount of $2,143,035,000 has been invested in its production, transmission, distribution, and general plant facilities. These capital additions have been financed through reinvested earnings, issuance of electric revenue bonds and notes, lease contracts, and a federal grant-in-aid of $34,438,000.

Santee Cooper's net earnings before taxes since the first power was generated in 1942 total $437,116,000. Payments in lieu of taxes have been made to the state of South Carolina totaling $28,426,000, and to the counties and municipalities within our service territory totaling $16,653,000. The remaining net earnings of $392,037,000 have been reinvested in the Authority.

Revenue bonds totaling 3,494,899,000 have been issued since the creation of Santee Cooper. Series B bonds which were originally issued in 1949, 1971, 1976, and 1981 have been advance refunded and defeased. Also, portions of the 1980 Series A, 1981 Series A & C, 1982 Series A & B, 1982 refunding, and 1985 refunding have been advance refunded and defeased.

All refunding bonds had an outstanding balance of $1,399,434,000 at the time they were refunded. Principal payments on all bond issues, including the issues refunded, total $83,860,000. Outstanding bonds as of June 30, 1987 totaled $1,998,105,000. The average annual interest cost on these bonds is 6.7 percent.

As of June 30, 1987, general improvement funds amounted to $76,070,719 in addition to debt reserve, debt service, interest, and special funds which totaled $269,757,000.

Corporate Statistics

Fiscal Year	6/30/87	6/30/86	6/30/85	6/30/84	6/30/83	6/30/82	6/30/81	6/30/80	6/30/79	6/30/78
Total Utility Plant-net including nuclear fuel (at year end) (in thousands of dollars)	**1,727,848**	1,745,892	1,773,788	1,779,161	1,670,571	1,467,710	1,205,200	950,628	759,839	577,936
Bonded Indebtedness (at year end) (in thousands of dollars)	**1,998,105**	1,938,230	1,919,750	1,788,750	1,796,545	1,735,850	1,261,420	990,100	917,690	810,190
Operating Revenues (in thousands of dollars)										
Residential	**52,433**	46,529	41,414	35,572	28,098	27,121	21,949	17,639	15,255	14,585
Commercial	**50,998**	46,709	39,268	32,865	28,853	28,145	22,452	18,835	16,822	15,530
Industrial	**139,207**	139,681	152,549	132,833	124,015	131,189	99,551	40,417	35,131	26,672
Military	**18,221**	18,000	15,649	13,978	12,893	12,487	9,225	6,954	6,567	6,330
Municipal	**1,675**	1,792	1,575	1,254	1,029	955	704	587	546	526
Wholesale	**212,891**	198,826	177,906	140,211	126,104	105,994	90,971	65,997	59,975	54,101
Miscellaneous	**4,634**	3,463	2,261	1,986	1,716	1,840	1,494	1,364	1,401	1,236
Total	**480,059**	455,000	430,622	358,699	322,708	307,731	246,346	151,793	135,697	118,980
Operation & Maintenance Expenses Charged to Operations (in thousands of dollars)	**273,646**	260,955	259,233	236,389	218,976	226,320	187,890	109,997	103,928	88,144
Payments in Lieu of Taxes Charged to Operations (in thousands of dollars)	**2,390**	2,176	1,920	1,750	981	565	966	928	726	658
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	**2,003**	1,901	1,700	1,600	1,500	1,400	1,300	1,300	1,200	1,201
Net Operating Revenues Available For Debt Service (in thousands of dollars)	**229,564**	219,072	195,899	136,186	118,230	94,219	66,503	46,732	35,958	33,790
Reinvested Earnings* (in thousands of dollars)	**40,290**	30,106	45,948	50,515	41,057	53,131	29,330	21,406	10,791	5,516
Debt Service Coverage										
Expansion Bonds	**1.56**	1.47	1.61	1.83	1.69	2.18	1.90	2.41	2.12	2.30
Priority Obligation & Expansion Bonds	**1.54**	1.46	1.59	1.78	1.65	2.07	1.79	2.14	1.88	1.98
Kilowatthour Sales (in thousands)										
Residential	**804,154**	720,438	672,865	646,467	559,929	541,522	536,461	472,495	443,186	446,247
Commercial	**892,123**	812,520	738,430	688,748	595,724	569,474	549,737	511,726	506,243	489,437
Industrial	**4,716,882**	4,557,796	4,501,626	4,232,994	3,940,370	4,049,632	3,952,408	1,890,415	1,788,087	1,441,494
Military	**440,978**	443,064	405,802	392,309	373,403	350,127	343,258	306,582	316,537	323,763
Municipal	**28,651**	30,500	29,571	25,448	20,236	17,841	17,572	17,506	16,966	16,670
Wholesale	**4,729,540**	4,214,322	3,878,087	3,798,454	3,422,275	3,351,388	3,470,042	3,099,574	2,881,781	2,843,955
Total	**11,612,328**	10,778,640	10,226,381	9,784,420	8,911,937	8,879,984	8,869,478	6,298,298	5,952,800	5,561,566
Number of Customers (at year end)										
Residential	**67,435**	63,895	59,755	55,610	50,255	46,310	43,462	40,053	38,058	35,590
Commercial	**14,210**	13,733	13,553	11,601	10,583	10,129	9,754	9,236	8,859	8,466
Industrial	**27**	26	26	26	25	25	25	24	21	20
Military	**3**	3	3	3	3	3	3	3	3	3
Municipal	**305**	372	342	329	300	224	216	212	207	197
Wholesale	**3**	3	3	3	3	3	3	3	3	3
Total	**81,983**	78,032	73,682	67,572	61,169	56,694	53,463	49,531	47,151	44,279
Residential Statistics (average)										
Kilowatthour Consumption/Customer	**12,195**	11,591	11,696	12,240	11,708	12,093	12,875	12,151	12,097	13,174
Cents/Kilowatthour	**6.52**	6.46	6.15	5.50	5.02	5.01	4.09	3.73	3.44	3.27
Generating Capability (year end) (megawatts)	**2,780**	2,759	2,764	2,764	2,265	1,965	1,965	1,736	1,456	1,400
Power Requirements and Supply (kilowatthours in millions)										
Generation-										
Hydro	**519**	413	485	628	694	522	414	824	680	702
Steam	**9,455**	8,472	8,442	7,287	7,840	8,492	8,620	5,800	5,343	5,238
Combustion Turbine	**—**	—	1	2	—	18	31	10	6	38
Nuclear	**1,744**	1,871	1,516	1,931	494	—	—	—	—	—
Total	**11,718**	10,756	10,444	9,848	9,028	9,032	9,065	6,634	6,029	5,978
Purchases, Net Interchange, Etc.	**327**	353	227	355	333	380	371	193	429	95
Total	**12,045**	11,109	10,671	10,203	9,361	9,412	9,436	6,827	6,458	6,073
Calendar Year	**1986**	**1985**	**1984**	**1983**	**1982**	**1981**	**1980**	**1979**	**1978**	**1977**
Territorial Peak Loads (megawatts)	**2,123**	2,006	1,824	1,810	1,685	1,754	1,554	1,352	1,231	1,161

*Reinvested earnings referred to above and on pages 40, 41, and 42 reflect revenue available to meet Santee Cooper's Bond Indenture and Resolution requirements.

Table of Contents

~~8805210183~~ 86 pp.

Comparitive Highlights

FISCAL YEAR	1987	1986	% CHANGE
Retail Customers Served	81,950	78,000	5.06
Average Annual Residential Consumption (kilowatthours)	12,195	11,591	5.21
Average Residential Cost (cents per kilowatthour)	6.52	6.46	0.93
Operating Revenue	$480,059,055	$455,000,175	5.51
Gross Income	$505,055,799	$481,687,205	4.85
Electric Operating Expenses	$341,068,787	$326,895,128	4.34
Gross Expenses	$494,005,178	$477,643,805	3.43
Other Deductions	$ (318,318)	$1,800,297	(117.68)
Costs to be Recovered from Future Revenue	$ 28,920,650	$ 27,863,063	3.80
Energy Sales (megawatthours)	11,612,328	10,778,640	7.73
Bulk Energy Sales to other Utilities	229,260	104,463	119.47
Territorial Peak Demand (megawatts)	2,123	2,123	0

CALENDAR YEAR	1986	1985	% CHANGE
Territorial Peak Demand (megawatts)	2,123	2,006	5.83

Cover: Sunrise on South Carolina's coastal plain. A new day — and new directions for Santee Cooper, South Carolina's state-owned public power resource. "New Directions" is the theme of this report, indicating Santee Cooper's historic commitments to service and stewardship and to an expanding role in helping to shape the dynamic future of the Palmetto State. Members of Santee Cooper's management team express the new directions being taken for customers, employees, bondholders and the people of South Carolina.

Letter from the Chairman and the President

Fiscal Year 1987 was one of the best and most challenging in Santee Cooper's history. However, our greatest accomplishments were not in increased sales of electricity, but in our responses to the needs of our customers and the people of our state.

Our residential rate system was revised to more fairly balance the cost-of-service to our year-round, all-electric customers compared to non-all-electric and seasonal customers. In addition, a "Good Cents" program, allowing a rate reduction of up to 23 percent for new all-electric, energy-efficient homes, was jointly offered to our customers and Central Electric Cooperative, Inc. In recognition of the company's energy conservation efforts, Santee Cooper received the American Public Power Association's annual Energy Innovator Award, becoming the first public power system in the nation to receive this honor twice.

Responding to a depressed metals market and an influx of foreign imports, we, in cooperation with our coal and rail suppliers, provided considerable relief in reduced power costs to our three largest industrial customers: Alumax of South Carolina, Georgetown Steel, and Macalloy Corporation. As a result, all three firms returned to full production and employment.

The number of retail customers served increased 5.1 percent to 81,950 during the fiscal year. Energy use by wholesale customers increased by 12.2 percent, use by retail customers increased 10.3 percent, and industrial use grew 3.5 percent.

While load growth was responsible for a 6 percent rise in revenues over last year, electric operating expenses increased only 4 percent. And this year's advance refunding of bond issues caused a $4.8 million reduction in interest charges. This saving helped to produce reinvested earnings of $40.3 million on gross revenues of $505.3 million.

Although legislation was passed this year which restricted our right to serve new industrial customers locating in areas assigned to Central's electric cooperatives, we will continue to generate the power for the co-ops to serve these industries. This legislation redefined the economic development roles of both Santee Cooper and the co-ops and marked the beginning of a new era of cooperation between Santee Cooper, Central, and its 15 member co-ops. A joint economic development program to incorporate the new legislation, integrated communications and marketing, and a shared energy conservation program are the beginnings of a new alliance between Santee Cooper and the cooperatives. This reaffirms Santee Cooper's commitment to its mission of supporting economic development and job creation efforts in the state.

Also this year, another new direction for the company was established with the passage of legislation authorizing Santee Cooper to enter the wholesale water supply business, selling potable water from the lake system to entities in five counties.

For the recreational benefit of the people of our state, Santee Cooper, in partnership with the State Department of Parks, Recreation, and Tourism, began development of the Old Santee Canal State Park. Visitors will be able to wander through the natural environment of Biggin Swamp and see a section of the historical waterway constructed in 1796 as the first canal in this country connecting two major river systems. Design of the park is complete, and construction will begin in the near future.

New directions, new goals, and continued success in service to our customers, our bondholders, and the people of the state will be the primary mission of Santee Cooper during the coming year.

Dwight A. Holder

Dwight A. Holder
Chairman of the Board

William C. Mescher

William C. Mescher
President and Chief Executive Officer

ENERGY SALES

At the end of the fiscal year, Santee Cooper was serving 81,950 residential, commercial, and other retail customers located in Berkeley, Horry, and Georgetown counties. This was an increase of 3,950 or 5.1 percent over the previous year. Of this increase, 3,540 were residential and 410 were commercial. This compares with growth in 1986 of 4,140 residential and 210 commercial.

Sales to these retail customers were 1,725 gigawatthours, up 10.3 percent over the previous year. This compares to last year's growth in energy sales of 8.5 percent.

The average annual consumption of electricity by Santee Cooper residential customers increased to 12,195 kilowatthours, 5.2 percent more than the previous year and 34.5 percent greater than the national average.

The average cost per kilowatthour for Santee Cooper residential customers was 6.52 cents, .9 percent higher than the previous year, but 12 percent lower than the national average.

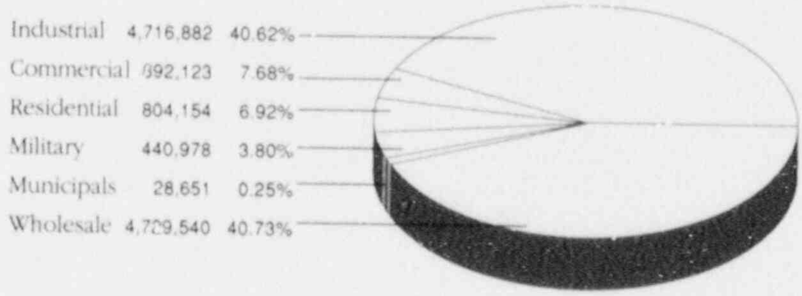
The average cost of power for Santee Cooper commercial customers was 5.72 cents per kilowatthour, down .5 percent from 1986 and 20 percent lower than the national average.

Industrial sales were 4,717 gigawatthours, up 3.5 percent over the previous year. The average cost of power to industrial customers was 2.95 cents per kilowatthour, 3.9 percent less than the previous year and 37 percent lower than the national average. A significant portion of this decrease resulted from the temporary rate relief provided to Santee Cooper's three largest industrial customers, all suffering from a depressed metals market.

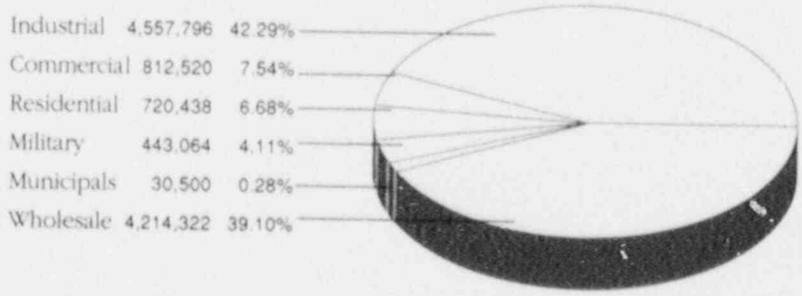
Sales to U.S. Air Force bases at Charleston and

ENERGY SALES

Fiscal Year 1987 (MWH)



Fiscal Year 1986 (MWH)



Myrtle Beach and to the Charleston Naval Station decreased .5 percent from 443 gigawatthours to 441 gigawatthours.

Sales through Central Electric Power Cooperative, Inc. to its 15 member co-ops increased 12.5 percent to 4,589 gigawatthours. Central is Santee Cooper's largest single customer. The electric cooperatives distribute power to more than 300,000 customers in 35 counties of the state.

Sales to the municipalities of Bamberg and Georgetown increased 3.7 percent.

DISTRIBUTION

Santee Cooper provided distribution and retail services to 81,950 customers in the counties of Berkeley, Horry, and Georgetown, compared to last year's total of 78,000, for an increase of 5.1 percent. Energy sales for the year totaled 1,725 gigawatthours with revenue of $105,106,599.

The Horry-Georgetown Division serves the Grand Strand resort area, a top vacation spot, which boasts more than 13 million visitors annually, over 50,000 guest rooms, more developed campsites than any other area, 40 championship golf courses, and 20 additional courses to be completed within five years.

This division provided new service to 1,633 single family homes, 2,206 condominium units, 1,193 townhouse and apartment units, five mobile home subdivisions, five hotels, four shopping centers, and 212 other commercial customers. Service was also completed to a new surface water treatment plant located in Myrtle Beach.

To improve the system, gather planning data, and increase customer service reliability in the division, a distribution Supervisory Control and Data Acquisition (SCADA) system was purchased. A master workstation and 9 remote terminal units were received for the SCADA system, which will monitor and control distribution and transmission substations.

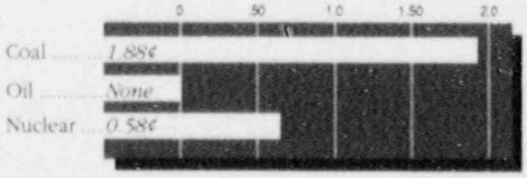
The distribution mapping system completed the computer-based digitized mapping of 13 substations and their feeders for increased economic load flow and more efficient delivery of service.

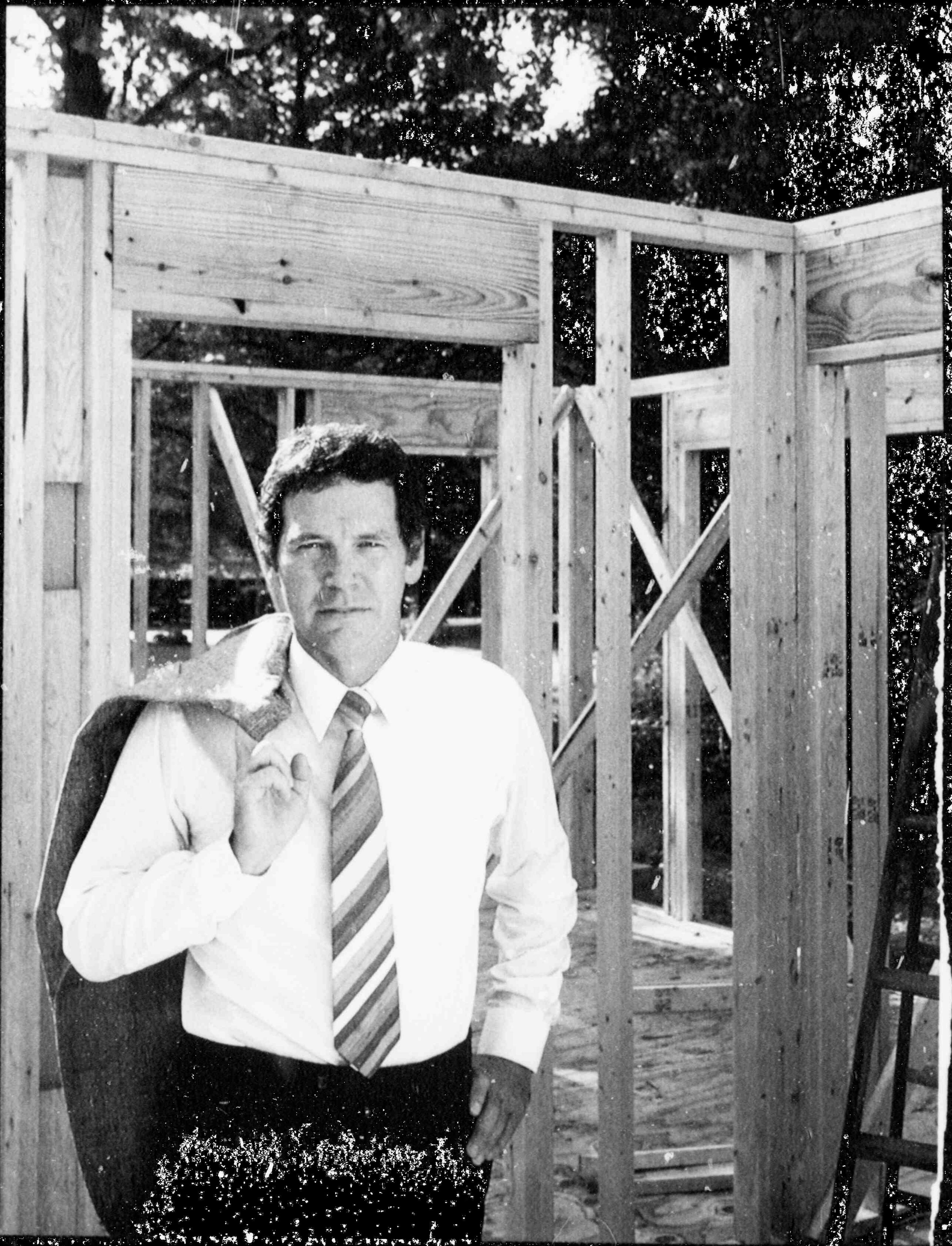
A new 4,125 square foot retail office, located in North Myrtle Beach, was completed. The facility includes customer services and offices for engineers and energy management representatives.

In the Berkeley District, underground service was provided to an apartment complex, a fast-food restaurant, a new mini-mall, and a small shopping center.

FUEL GENERATING COST/KWH

(Cents / KWH) FY 87





Joe C. Norman

Power companies will be among the last industries in this country to be challenged by the "world economy." It has already shown its impact in subtle ways. Those of us in the business who help our customers become more energy-efficient will be the leaders in the industry in the next decade. Customer sensitivity, productivity, and efficiency must be the forces that drive us, and Santee Cooper is already moving forward with programs like the "Good Cents" energy-efficient home.

Joe C. Norman

Vice President, Commercial Operations

ENERGY MANAGEMENT

The Good Cents Program, a national plan for energy-efficient, all-electric residences, was introduced to new home buyers. Energy Management presented the program to area builders, developers, contractors, engineers, and architects and worked with them on required construction standards. Construction of housing units using Good Cents guidelines began in Green Park, a condominium project, and Foxcroft, a patio home community, both located in Myrtle Beach.

To promote energy-efficient mobile homes, Santee Cooper adopted a rigid Good Cents Mobile Home Program.

Good Cents low-interest residential loans for energy-efficient home improvements were $326,467.68, including $251,196.69 for installation of new electric heat pumps. Twenty-six fossil fuel and 46 electric resistance heating systems were converted to heat pumps. Since Santee Cooper's low-interest loan programs began, approximately $1 million has been loaned.

Approximately 80 schools and 50,000 students and teachers in Horry, Georgetown, and Berkeley counties were supplied with audio/visual and printed energy education materials. To promote energy awareness and the company's educational resources, teacher conferences were held in all three counties.

Santee Cooper and local electric cooperatives co-sponsored a NEED (National Energy Education Day) student conference that featured energy-related activities.

Energy Management coordinated educational seminars on cost efficiency for heat pump contractors, architects, builders, developers, realtors, financial institutions, civic groups, and company employees.

Santee Cooper received the American Public Power Association (APPA) Energy Innovator Awards for an APPA-funded Demonstration of Energy-Efficient Developments project. The project uses a computer program to analyze data from residential multi-channel, solid-state meters for rate design and marketing research.

Energy audits were provided for more than 450 residential customers and 85 commercial customers.

Load calculations and thermal design analyses for sizing electric heating and cooling systems were provided for more than 480 residential customers and 68 commercial customers.

GENERATION AND LOAD GROWTH

Santee Cooper facilities, including one-third ownership of the V.C. Summer Nuclear Station, generated 11,718,436 net megawatthours of electricity this year, an increase of 8.9 percent over last year.

Of the total power generated, 80.7 percent was produced using coal, 14.9 percent by nuclear, and 4.4 percent by hydroelectric. The percentage of nuclear power generation decreased because of the three-month outage for reloading fuel. Peak hourly demand for the year matched that recorded last year — 2,123 megawatthours.

NUCLEAR POWER

The Virgil C. Summer Nuclear Station, an 885-megawatt nuclear plant jointly owned with South Carolina Electric & Gas Company, achieved a capacity factor of over 92 percent in calendar year 1986, making it one of the top nuclear performers in the United States. Santee Cooper owns one-third of this nuclear unit.

In March, the plant underwent its third refueling outage. In FY 87, until this scheduled outage, the plant achieved an availability of 98.4 percent and a capacity factor of 93 percent.

The 1987 refueling outage was one of the most extensive yet undertaken by the Summer Nuclear Station. In addition to the actual refueling, the outage allowed for many modifications and extensive maintenance work. Inspections and preventive measures were also taken on the unit's three steam generators to ensure a greater effective lifetime. The next refueling outage is scheduled for the fall of 1988.

For FY 87, the Summer Nuclear Station generated over 1.7 billion kilowatt-hours of electricity for Santee Cooper customers, or approximately 15 percent of the company's electricity sales.

SYSTEM PLANNING

As part of System Planning's growth, training and technical instruction manuals were written and a PEP committee was organized to ensure continued coordination between System Planning and Power Supply Planning.

Improving system reliability, planning activities were completed on a new three-way interconnection between Santee Cooper, Savannah Electric and Power Company, and Georgia Power Company, including a 500-230 kV West McIntosh Station and a new 230 kV power line from the Bluffton-Hilton Head area to McIntosh. Two major new substations were planned for the Horry-Georgetown area—Red Bluff 230 kV Station in Horry County and Campfield 230 kV Station in Georgetown County.

ENGINEERING AND CONSTRUCTION MANAGEMENT

At Cross Station, the boiler supplier modified the boiler to meet the contractual guarantee for efficiency. Arbitration proceedings with the flue gas desulfurization system supplier ended, and a settlement of $4.78 million was received. This money is being used to install necessary equipment improvements for satisfactory performance.

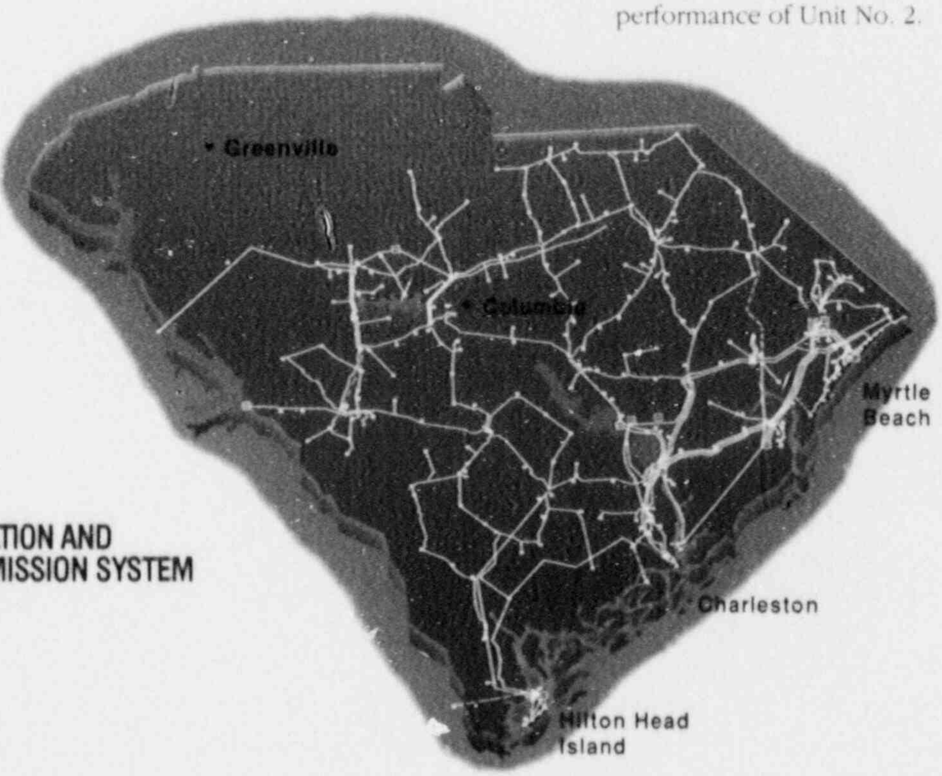
Also at Cross, several improvement projects were completed, including electronic as-received coalscale, coal pulverization fire detection system modifications, permanent turbine building east wall, and yard equipment building.

Unit No. 4 at Jefferies Station was modernized by equipping the two 1,500 horsepower induced draft fan motors with variable speed drive (VSD) units to resolve a fan vibration problem and lower electric power consumption. Based on the success of this project and potential power savings, motors at other stations will be equipped with VSD's.

At Winyah Station, the boiler manufacturer installed a radiant reheater section to improve boiler performance of Unit No. 2. Also, a new supervisory system was installed to enable control room personnel to remotely operate auxiliary equipment, including two Santee River pumping stations, the holding pond pumping station, and the cooling tower fans and equipment.

The State General Assembly passed legislation authorizing Santee Cooper to enter the wholesale water supply business and sell potable water from the lake system to entities in Berkeley, Charleston, Dorchester, Orangeburg, and Clarendon counties. Following the 1986 preliminary feasibility study, a more detailed engineering study and cost estimate was completed in June for developing water rates for use in negotiations with potential wholesale customers.

GENERATION AND TRANSMISSION SYSTEM



PERFORMANCE AND ENVIRONMENTAL SERVICES

The Performance Group conducted thermodynamic tests on eight coal-fired generating units, turbine enthalpy tests on three units, load control tests on two units, and various station component tests on equipment such as cooling towers and boilers. The test results are used to document heat rates, improve unit efficiency, predict unit maintenance requirements, determine which units are the most economical to operate, and calculate precise costs for generating electricity.

Environmental Services provided technical assistance to the generating stations and other divisions of Santee Cooper on regulations for hazardous and non-hazardous waste, acid rain, surface water, ground water, underground storage tanks, community right-to-know, air quality, and PCBs, assuring compliance with state and federal environmental regulations.

To manage the activities required by these environmental regulations, several programs were begun, such as a PCB management plan, Best Management Practices plans, Waste Oil Incineration, Solvent and Paint Waste Recycling, Solid and Hazardous Waste Tracking plan, Underground Storage Tank program, Permit Tracking system, Ground Water Monitoring program, Biomonitoring and Macroinvertebrate investigations, and Spill Prevention Control and Countermeasure plans.

PRODUCTION OPERATIONS

During this fiscal year, the average unit availability of Santee Cooper's generating stations was much higher than the national average. Winyah Station's Unit No. 1 led with 89.1 percent availability, 5.40 percent better than the national average.

Winyah Station also won the Production Operations Goals Program annual award, with an improved heat rate 3.75 percent over the previous year. Greater plant efficiency saved $3,400,000 in fuel costs. Grainger Station set a safety record, reporting no accidents for the year.

Jefferies Station's Unit No. 1, Santee Cooper's oldest steam unit, which dates from 1953, had a major planned steam generator outage to replace the superheater tubes and keep it ready for any required operation.

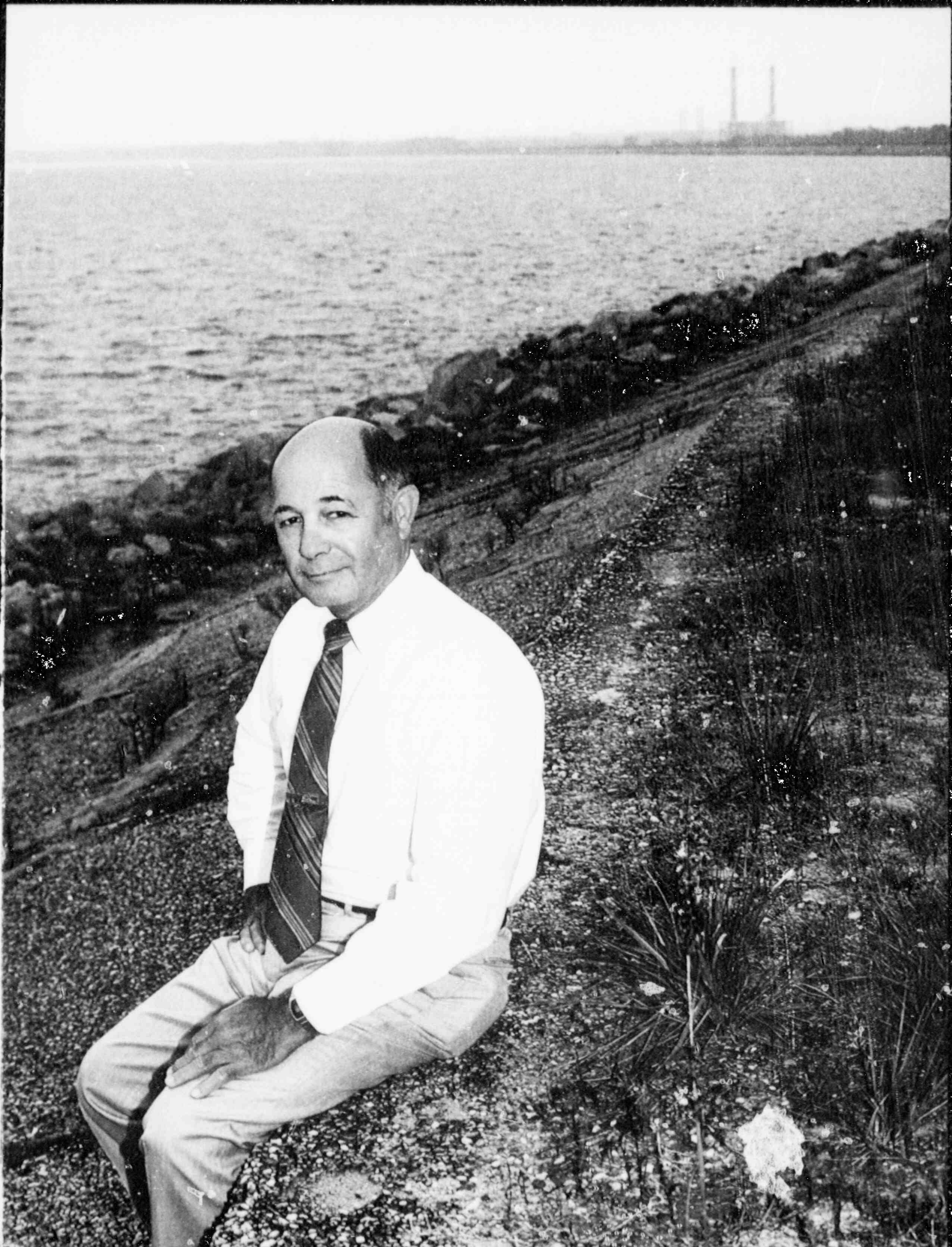
Annual inspections were performed on all units to prepare them to meet the summer load requirements.

Robert V. Tanner

Increased efficiency, innovation, and resource development are the road signs marking the new directions for Santee Cooper's Production Department. Improved heat rates, more efficient use of station power, and modification of our generating equipment will help us improve performance and save millions of dollars. Development of a regional water treatment facility will help our five-county area meet its needs for water well into the next century.

R. V. Tanner

Vice President, Production



Power Generating Stations

Jefferies Hydro Generating Station

Location: Pinopolis, SC

Fuel Type: Hydroelectric

Generating Capability:
128 megawatts

Construction Cost:
$ 58.6 million / $458 per kw

Began Commercial Operation: 1942

FY 1987 Generation:
198 million kwh

Fuel Consumption - FY 1987: none

Fuel Cost - FY 1987: none

Generation cost per kwh: none

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

Grainger Steam Generating Station

Location: Conway, SC

Fuel Type: Coal

Generating Capability:
Units 1 & 2 - 170 megawatts

Construction Cost:
$ 29.5 million / $172 per kw

Began Commercial Operation: 1966

FY 1987 Generation:
334.5 million kwh

Fuel Consumption - FY 1987:
139,572 tons of coal

Fuel Cost - FY 1987: $5,824,782.54

Generation cost per kwh:
1.741 cents

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

Santee Spillway Generating Unit

Location: Pineville, SC

Fuel Type: Hydroelectric

Generating Capability:
2 megawatts

Construction Cost:
$.04 million

Began Commercial Operation: 1950

FY 1987 Generation:
10.1 million kwh

Fuel Consumption - FY 1987: none

Fuel Cost - FY 1987: none

Generation cost per kwh: none

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

Hilton Head Combustion Turbines

Location: Hilton Head Island, SC

Fuel Type: Oil

Generating Capability:
Unit 1 - 20 megawatts
Unit 2 - 20 megawatts
Unit 3 - 57 megawatts

Construction Cost:
Unit 1 - $ 2.7 million / $135 per kw
Unit 2 - $ 2.2 million / $110 per kw
Unit 3 - $ 9.8 million / $172 per kw

Began Commercial Operation:
Unit 1 - 1973
Unit 2 - 1974
Unit 3 - 1979

FY 1987 Generation: 164,000 kwh

Fuel Consumption - FY 1987:
121,173 gallons

Fuel Cost - FY 1987: $109,007.24

Generation cost per kwh:
66.468 cents

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

Jefferies Steam Generating Station

Location: Pinopolis, SC

Fuel Type:
Units 1 & 2 - Oil
Units 3 & 4 - Coal

Generating Capability:
Units 1 & 2 - 92 megawatts
Units 3 & 4 - 306 megawatts

Construction Cost:
Units 1 & 2 - $ 15.7 million / $171 per kw
Units 3 & 4 - $ 54.8 million / $179 per kw

Began Commercial Operation:
Units 1 & 2 - 1954
Units 3 & 4 - 1970

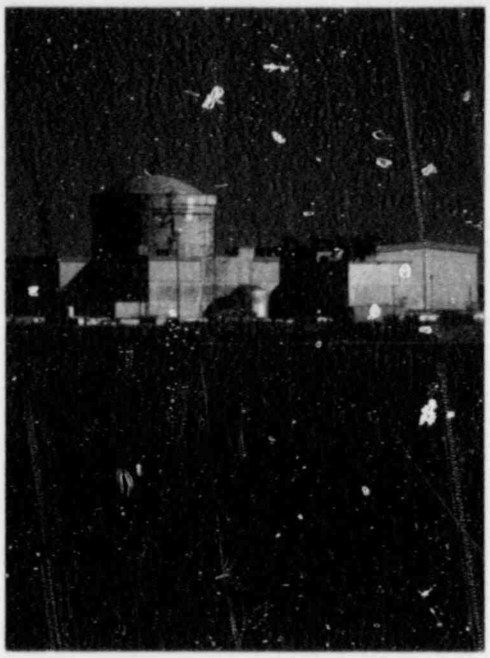
FY 1987 Generation:
Units 1 & 2 - none
Units 3 & 4 - 1.3 billion kwh

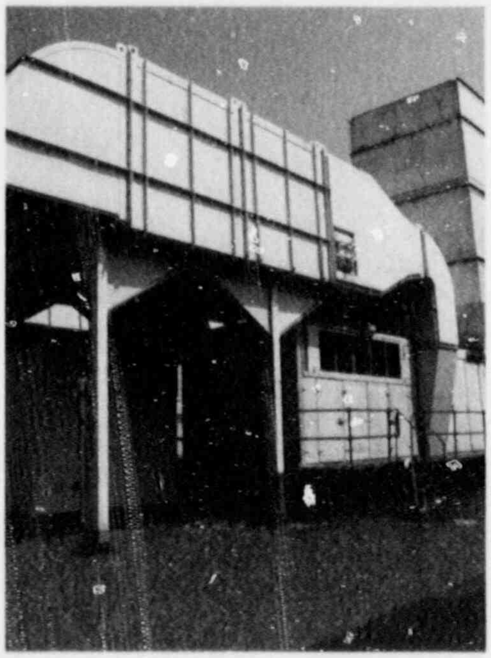
Fuel Consumption - FY 1987:
Units 1 & 2 - none
Units 3 & 4 - 547,968 tons of coal

Fuel Cost - FY 1987:
Units 1 & 2 - $519.74
Units 3 & 4 - $ 24,978,517.04

Generation cost per kwh:
Units 1 & 2 - NA
Units 3 & 4 - 1.985 cents

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





Winyah Steam Generating Station

Location: Georgetown, SC

Fuel Type: Coal

Generating Capability: Units 1, 2, 3, & 4 - 270 megawatts each

Construction Cost:
- Unit 1 - $ 62.4 million / $231 per kw
- Unit 2 - $ 73.2 million / $271 per kw
- Unit 3 - $ 118.0 million / $437 per kw
- Unit 4 - $ 110.7 million / $410 per kw

Began Commercial Operation:
- Unit 1 - 1975
- Unit 2 - 1977
- Unit 3 - 1980
- Unit 4 - 1981

FY 1987 Generation:
- Unit 1 - 1.6 billion kwh
- Unit 2 - 931.9 million kwh
- Unit 3 - 692.5 million kwh
- Unit 4 - 1.5 billion kwh

Fuel Consumption - FY 1987:
- Unit 1 - 606,076 tons of coal
- Unit 2 - 402,107 tons of coal
- Unit 3 - 288,170 tons of coal
- Unit 4 - 609,398 tons of coal

Fuel Cost - FY 1987:
- Unit 1 - $28,128,956.88
- Unit 2 - $18,498,361.39
- Unit 3 - $13,368,274.26
- Unit 4 - $28,052,944.66

Generation cost per kwh:
- Unit 1 - 1.795 cents
- Unit 2 - 1.865 cents
- Unit 3 - 1.930 cents
- Unit 4 - 1.877 cents

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

Myrtle Beach Combustion Turbines

Location: Myrtle Beach, SC

Fuel Type: Oil

Generating Capability:
- Units 1 & 2 - 20 megawatts
- Units 3 & 4 - 40 megawatts
- Unit 5 - 30 megawatts

Construction Cost:
- Units 1 & 2 - $ 2.9 million/ $145 per kw
- Units 3 & 4 - $ 4.5 million/ $113 per kw
- Unit 5 - $ 2.7 million/ $90 per kw

Began Commercial Operation:
- Units 1 & 2 - 1962
- Units 3 & 4 - 1972
- Unit 5 - 1976

FY 1987 Generation: none

Fuel Consumption - FY 1987: 18,311 gallons of oil

Fuel Cost - FY 1987: $13,941.71

Generation cost per kwh: none

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

Summer Nuclear Generating Station

Location: Jenkinsville, SC

Fuel Type: Nuclear

Generating Capability: 295 megawatts (1/3 of 885 megawatts)

Construction Cost: $336.0 million / $1,120 per kw

Began Commercial Operation: 1983

FY 1987 Generation: 1.7 billion kwh

Fuel Cost - FY 1987: $10,023,000

Generation cost per kwh: .575 cents

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

Cross Steam Generating Station

Location: Cross, SC

Fuel Type: Coal

Generating Capability: 520 megawatts

Construction Cost: $363.3 million / $ 699 per kw

Began Commercial Operation: 1984

FY 1987 Generation: 3.1 billion kwh

Fuel Consumption FY 1987: 1,194,399 tons of coal

Fuel Cost - FY 1987: $59,364,908.69

Generation cost per kwh: 1.903 cents

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

St. Stephen Hydro Generating Station

Location: St. Stephen, SC

Fuel Type: Hydroelectric

Generating Capability: 84 megawatts

Construction Cost: $ 63.7 million / $ 750 per kw

Began Commercial Operation: 1985

FY 1987 Generation: 310.7 million kwh

Fuel Consumption - FY 1987: none

Fuel Cost - FY 1987: NA

Generation cost per kwh: NA

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

Robert E. Rainear

"Quality is Job One" is the Ford-borrowed commitment that best describes the direction of lowered costs and improved service sought by Engineering and Operations. Computer-aided standards and designs, innovative and cost-cutting construction techniques, improved maintenance procedures, and computerized power control and dispatching methods will help us accomplish these goals. Through employee participation, we will continue to identify the areas where costs can most effectively be lowered.

Robert E. Rainear

Vice President, Engineering & Operations

POWER SUPPLY

The Supervisory Control and Data Acquisition (SCADA) system, used to remotely gather information from and operate substations and generating stations, was expanded to include on-line load flow studies to predict the effect of planned switching operations.

A computerized lake management program was introduced to help make lake management decisions.

Weather conditions are related directly to transformer and transmission line capabilities and lake conditions. Therefore, as part of the SCADA system, remote sensors that monitor wind speed, wind direction, temperature, and rainfall were installed at various substations.

A separate computerized system became operational, allowing system control personnel at all VACAR companies— Santee Cooper, Carolina Power & Light Company, South Carolina Electric & Gas Company, Duke Power Company, and Virginia Power Company— to exchange current system information every hour. Information exchanged on this VACAR NET System includes energy for sale or purchase, price quotes, transactions in progress, generating unit status, and computer-recommended transactions.

Santee Cooper entered into a contractual agreement for energy sales to Florida Power & Light Company. The first transaction took place during a seven-day period in May, with a maximum hourly demand of 300 MW and a total energy transfer of 50,400 megawatthours for $962,208.

System Control purchased 111,143 megawatthours of power from the interconnected utilities in FY 87 to displace higher-cost generation for a savings of $343,000. Also, 229,260 megawatthours of power were sold to the interconnected utilities for a total of $4,705,000.

A PEP committee was organized to include Power Supply Planning.

DESIGN ENGINEERING

Design Engineering completed key projects important to system reliability. Design work was completed on the Bluffton-McIntosh project, a major tie with Georgia Power Company and Savannah Electric and Power Company. The project includes a 500-230 kV substation in Georgia and a 25-mile 230 kV transmission line. Within five years, Santee Cooper will realize a $14 million savings in construction costs when the McIntosh substation is sold to Georgia Power Company. This project required routing a 230 kV bundled conductor transmission line through dense swamps, over a major river, and across state lines. Construction contracts were awarded to meet an energization date of January 1, 1988.

Also, route selection was completed on the Campfield-Pawleys Island 115 kV line. This project also had unusual design features, including a gas-filled, pipe-type submarine cable routed under the Intracoastal Waterway. Use of long-span design and reduced right-of-way width through the use of an existing right-of-way met aesthetic and environmental requirements of routing the line along U.S. Highway 17.

In addition, on April 1, a 69 kV transmission line tap, approximately 10 miles long, was energized to serve Union Carbide's Kershaw County plant. The entire project was completed in 15 months, meeting tight schedule requirements.

Also, survey work was completed on the Santee Cooper Project Boundary as required by the Federal Energy Regulatory Commission (FERC) for relicensing.

GENERAL CONSTRUCTION

Santee Cooper's 42 miles of dams and dikes and its 56-mile-long navigation channel were maintained by work forces in General Construction who removed floatage and repaired the structures, channel markers, and buoys. The Federal Energy Regulatory Commission (FERC) reported that the project is in excellent condition for normal static loads and is well-maintained.

Federal funding was obtained to correct seismic load deficiencies in the West Pinopolis and North Santee Dams.

As an alternative to rebuilding the North Santee Dam and Spillway, a Comprehensive Emergency Action Plan for Dam Failure was tested in February. State and county emergency preparedness agencies participated with Santee Cooper, and officials from the FERC observed the exercise.

The emergency plan included installation of a 15-siren warning system, extending 25 miles downstream of the Santee Dam in the Santee River Flood Basin. In addition, tailwater monitoring devices at the North Santee Dam were installed to alert residents and Santee Cooper's Energy Control Center in the event of a dam failure. Residents in the flood plain received tone alert radios to be activated by the National Weather Service in an emergency. All emergency systems were installed in less than six months, and the test was judged a success. The acceptance of this alternative, over rebuilding the North Santee Dam, will ensure long-term savings estimated between $500 million and $1 billion.

General Construction also provided clearing, grading, site preparation, foundation and carpentry work, and maintained roads and drainages for Santee Cooper's 52 subdivisions.

TRANSMISSION OPERATIONS

More than 11 billion kilowatthours of electricity were delivered to about 382,000 customers either directly or indirectly through Santee Cooper's transmission system. This consists of 3,372 miles of line and 58 substations and switching stations with voltages ranging from 34,000 to 230,000 volts. Power was supplied to about 82,000 retail customers, two municipalities, three military installations, 27 large industrial customers, and about 300,000 customers served by 15 of the state's 20 electric cooperatives through 221 delivery points.

Recent transmission system additions include nine new cooperative delivery points and eight tap lines. The 69 kV line supplying power to the new Union Carbide air reduction plant was energized April 1.

PROJECT MANAGEMENT

The Project Management division of Engineering and Operations provided project engineering, budget control, construction management, and material coordination for 96 projects in the 10-year construction budget. These projects, totaling over $240 million, involve new construction and upgrading of system substations and transmission lines.

Major projects in which Project Management shared responsibility were service to the Union Carbide air reduction plant in Camden, the McIntosh tie with Georgia Power Company and Savannah Electric and Power Company, and the 115 kV transmission line from Campfield to Pawleys Island.

RELIABILITY

To improve system reliability, Santee Cooper maintains interconnections with other electric uilities, including the Southeastern Power Administration and the Southern Company at the R.B. Russell Dam; with South Carolina Electric & Gas Company at Bushy Park, North Charleston, St. George, Mateeba, Columbia, and the Summer Nuclear Station; with Southeastern Power Administration, Duke Power Company, and the Southern Company at Clark Hill; and with Carolina Power & Light Company at Darlington, Hemingway, Kingstree, Lugoff, and Robinson.

CORPORATE COMMUNICATIONS

Santee Cooper received national recognition for its 1986 Annual Report in the form of the Walter C. Mason Award presented by the American Society of Personnel Administration. It was presented for the "most outstanding portrayal of human relations values in an annual report." The report was also judged first place in annual competitions sponsored by the American Public Power Association and the Advertising Federation of Charleston.

Electronic communication between employees was introduced with

NEWSLINE, an on-line news service which provides updated information to more than 400 employees with computer terminals.

"An Invitation to Charleston," a multi-image production, was produced by Corporate Communications for the Convention and Visitors Bureau of the Charleston Trident Chamber of Commerce. As a result, the Chamber presented Santee Cooper with the Golden Pineapple Award for outstanding support of tourism.

ECONOMIC DEVELOPMENT

As part of a corporate change of functions, the Economic Development Division was renamed the Marketing Division. Increased priority was directed to industrial retention and expansion.

A new program was begun for the development and management of a series of industrial parks located within Santee Cooper's service territory. The first of these, the Atlantic Gateway Business & Industry Park, located in Conway, was developed jointly with Horry County and ready for announcement at the end of the fiscal year. An agreement was also received from the first industrial firm committed to locate on part of the 272-acre site.

Additional market research and targeted advertising were established as major features of the new marketing program.

In June, Governor Campbell signed into law Bill S.664, which limited Santee Cooper's ability to serve new industrial customers to the areas of assigned service territory in Berkeley, Horry, and Georgetown Counties.

Support of statewide industrial growth was provided through participation in the South Carolina Coordinating Council for Economic Development. Efforts were expanded to work with and support the electric cooperatives in 35 of the state's 46 counties.

W. Andrew Burke

A more productive approach to economic development will result from a new alliance of cooperation between Santee Cooper and Central Electric Power Cooperative and its 15-member co-ops. Our effort will be more effective in helping create jobs and stimulating economic growth, both in the areas served by Santee Cooper and the electric cooperatives and throughout South Carolina.

W. Andrew Burke

Vice President, Marketing

FLOOD CONTROL

Spilling was required for a total of 14 days during March, with an average spill of 26,639 cubic feet per second (cfs). This was part of Santee Cooper's flood control program to maintain proper elevations of the lakes and to reduce flooding of the lower Santee River.

MOSQUITO ABATEMENT

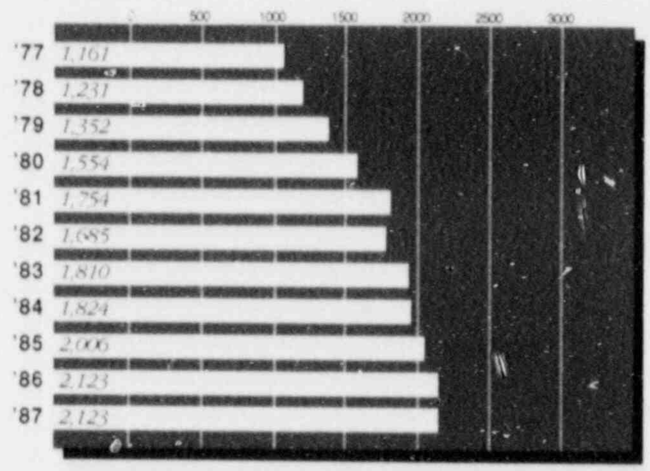
More than 8,000 entomological inspections were conducted in the five-county area around the Santee Cooper lakes to collect data for mosquito control assessment and planning.

In the mosquito control program, more than 103,000 acres of land and water were treated. Coppice clearing and ditch maintenance, draining, and filling were conducted on more than 400 acres to reduce breeding sites. Biological control with the mosquito fish, *Gambusia affinis*, and the bacterial spore suspension of *Bacillus thuringiensis*, was used in all suitable areas.

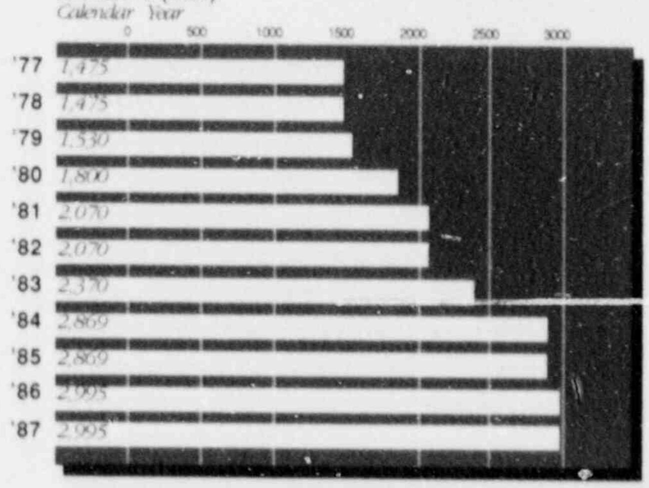
WATER QUALITY MANAGEMENT

The 50 water quality monitoring stations located throughout the lake system were sampled on a regular basis. Stations were monitored monthly for physical, chemical, and biological conditions, and 18,050 analyses were conducted during the year in the unit's laboratory.

PEAK DEMAND (MW)
Calendar Year



CAPACITY (MW)
Calendar Year



Two surface water drainages flowing to Lake Marion from the GSX Hazardous Material Land Disposal Facility near Pinewood, S. C. were also sampled as part of an ongoing study. A tracer dye study was conducted in Lake Marion adjacent to the GSX site to document water flow patterns, travel times, and dilution rates of contaminants which may enter Lake Marion from the GSX facility.

Aquatic plant control was conducted on 3,750 acres of noxious aquatic vegetation. EPA-approved herbicides were applied by helicopter, airboat, and truck-mount spray units. Of the $562,500 program cost, $505,250 was funded by the S. C. Aquatic Plant Management Council and the U. S. Army Corps of Engineers.

AQUACULTURE

About 450,000 *Tilapia* fish were cultured at Santee Cooper's aquaculture hatchery at Winyah Station in Georgetown. Most were stocked in the Winyah Station cooling reservoir for weed control maintenance. More than 250,000 mosquito fish, *Gambusia affinis*, were harvested and supplied to the Mosquito Abatement Section for mosquito larvae control throughout the Santee Cooper system.

Genetic research to produce triploid grass carp fish for biological aquatic plant management continued throughout the year. The triploid were spawned using hydrostatic pressure chamber shock of fertilized eggs.

HORTICULTURE

A tile drainage system was installed underneath the greenhouse growing beds for improved drainage and production. The greenhouse roofs were covered with four-mil double poly material to replace worn and wind-damaged roofs.

Revenue from horticulture for the year totaled $53,464.

PROPERTY MANAGEMENT

The Property Management Division administered approximately 4,250 leases around the 152,688-acre Santee Cooper lakes. These include recreational lots in Santee Cooper subdivisions, marginal lots adjacent to privately-owned subdivisions, commercial lots, gratis leases to public and quasi-public agencies, and various miscellaneous leases for public recreational facilities. Revenues collected from these leases totaled $623,316 during last year. Property Management personnel provided routine maintenance and repairs for 17 public boat launching ramps and parking areas under lease to the South Carolina Wildlife and Marine Resources Department.

Santee Cooper, coordinating with the S. C. Department of Parks, Recreation & Tourism, began work on the Old Santee Canal State Park. This 220-acre historic and environmental park is located near Santee Cooper's headquarters, adjacent to Stony Landing Plantation in Berkeley County. The site includes the lower portion of the Santee Canal, the first major overland construction of its kind in the United States. The park is projected to be completed and open in early fall, 1988.

A total of 18,899 acres of prime wildlife and waterfowl habitat were leased to the S. C. Wildlife and Marine Resources Department on a gratis basis

F. Eugene Williams

Working more closely with our elected and governmental officials at all levels will help us significantly improve the quality and dimensions of service to our customers, the communities where we serve, and the people of South Carolina. As a vital economic and energy resource belonging to the people of this state, our most important commitment is to respond more effectively to their needs.

F. Eugene Williams

Vice President, Governmental Affairs

for use as part of the state's Wildlife Management Program. Reforestation programs resulted in 815,000 genetically improved pine seedlings being planted on 1,156 acres of Santee Cooper lands. Approximately 4,100 acres of forest were control-burned to reduce wildfire hazards, improve aesthetics and wildlife habitat, and control undesirable species. One hundred fifty miles of firebreaks were constructed or maintained around young pine plantations to protect them from wildfires. Revenues from the sale of forest products and agricultural leases totaled more than $260,000.

PROGRAM FOR EMPLOYEE PARTICIPATION

Nineteen groups in the company's Program for Employee Participation (PEP), a program designed to improve efficiency, were started in FY 87, bringing the total number of active groups companywide to 29. This represents 220 employees, a 175 percent increase over last fiscal year.

Completed projects averaged $15,014.79 to implement, with annual costs of $320.39 and annual savings of $8,021.18. This includes eight of the total 10 projects completed for FY 87 and represents an average payback period of 23 months.

PEP established employee introductory training courses. Introduction to Employee Involvement, Introduction to Problem Solving, and Introduction to Participative Management emphasized listening and communication skills, team building, group problem solving, leadership style, and effective meeting management.

HUMAN RESOURCES

During the year, approximately 125 employees participated in Health Maintenance Organizations, and over 40 percent of employees were enrolled in the deferred compensation program. One hundred seventy employees advanced to new responsibilities through the internal job posting system or by natural progression. The company hired 118 new employees. This five percent growth increased total employment to 1,559. Sixty-one temporary employees were used to supplement the workforce and to limit full-time employment.

OCCUPATIONAL HEALTH

Annual employee physicals were expanded to include comprehensive blood chemistry profiles reporting blood cholesterol and heart, liver, and kidney function. Over 1,500 employees and applicants received evaluations and health advice.

Supporting Santee Cooper's new restricted smoking policy, Occupational Health sponsored smoking cessation classes throughout the company. Sixty-seven employees successfully completed the course.

Occupational Health also conducted Multimedia First Aid instruction for 314 employees and CPR and Basic Life Support courses for 1,034. Hearing Conservation classes were completed by 872 employees, while 165 completed Prevention of Back Injuries courses, and 580 completed Respiratory Protection courses.

As part of Industrial Hygiene's evaluation and control of health hazards in the workplace, more than 200 employees in Production and Operations were monitored for noise exposure.

TRAINING AND DEVELOPMENT

Employees attended 460 external courses and 186 internal programs in various subject areas including professional skills development.

Eighteen engineers were enrolled in an external Professional Engineering Reviews program at a local college to help them obtain a Professional Engineering license.

There were 121 internal training programs, which included supervisory and management programs, computer, communication techniques, customer service, electrical/electronic instrumentation, mechanical maintenance, power plant operations, and lineman training programs. These training programs provided professional as well as technical skills development at all levels of company operations.

A program with the local technical college was developed to provide credits for courses taken by Santee Cooper employees. Four new electrical/electronics training courses were arranged, and several computer software courses were updated. A relay test panel, a training aid for relay maintenance personnel, was developed, and a formal training program for distribution linemen was implemented. Eight new linemen courses for transmission and distribution systems were organized, and a computer training lab for personal computer training programs was established. The supervisory management and the mechanical maintenance training programs were updated, and a basic instrumentation course for Production Operations was developed. Thirty-eight unit operators completed simulator training.

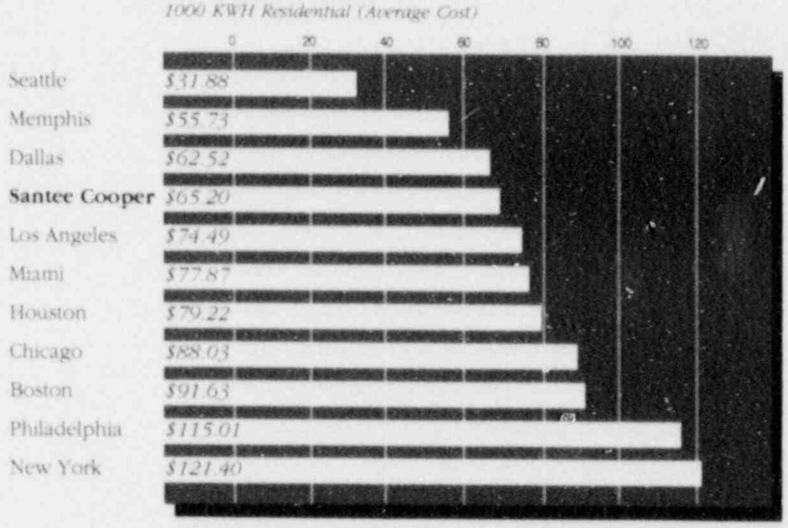
Two hundred employees completed college level and technical education courses through the tuition aid program.

SAFETY

Santee Cooper experienced a 33 percent reduction in total injuries in 1986, earning a fifth-place award from the American Public Power Association (APPA) for 2,992,275 man-hours worked with an incident rate of .73. The company competes annually with other APPA member utilities operating more than two million man-hours. Nineteen units earned safety awards from the National Safety Council, and 17 earned safety awards from the South Carolina Occupational Safety Council. Grainger Generating Station, Darlington Area Transmission, and Orangeburg Area Transmission received Awards of Merit from Santee Cooper for completing 1986 without a recordable injury. The President's Safety Award, for crew and section safety while operating under hazardous conditions without a disabling injury in 1986, was earned by 82 crews and sections. Safe Service Awards were presented to 137 employees, Safe Driving Awards to 134 drivers of company vehicles, and three employees joined various safety clubs that recognize workers who avoid injury by wearing protective devices or equipment. Six employees were recognized for outstanding leadership in units operating for 15 or more years without a disabling injury.

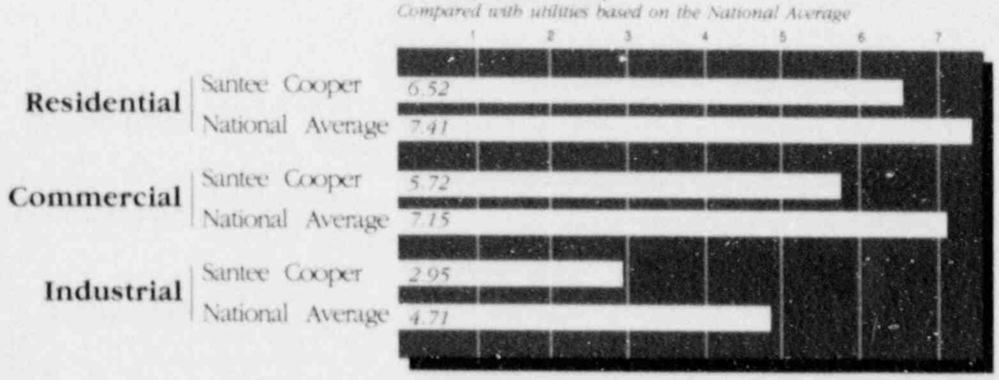
RATE COMPARISON FY 87

1000 KWH Residential (Average Cost)



RATES (CENTS/KWH)

Compared with utilities based on the National Average



CORPORATE FORECASTING, RATES, & STATISTICS

A new residential rate structure, including a standard residential rate and a discounted all-electric rate for year-round residential customers, went into effect November 1, 1986. The new rates more accurately reflect cost-of-service while producing the same revenues.

Also, Santee Cooper adapted the national residential Good Cents program which includes an incentive rate for customers with all-electric, energy-efficient Good Cents homes.

A new 20-year load forecast was developed. It included an appliance saturation survey of Santee Cooper's residential customers and an industrial survey to determine their future electrical needs. The forecast will be used for planning purposes, including the need for future generation.

Santee Cooper won the American Public Power Association's National Energy Innovator Award for developing a software package called ELMA (Electric Load Data and Management Analysis) which provides flexible and comprehensive data management and analysis of load and end-use survey projects.

Santee Cooper began billing all municipal, cooperative, and large industrial customers on a calendar month basis. This process fits calendar month energy sales to monthly operation records which are used in cost-of-service studies and rate design.

MANAGEMENT INFORMATION SYSTEMS

Technical Support

Technical Support provided training, hardware installation, and software support for 200 users of Office Automation and provided the same services, in addition to data base management, for users of a new relational data base system.

More than 60 new personal computer workstations were added, and hardware, software, and training were provided for more than 140 users of mainframe-integrated personal computers. Technical Support also began publishing a monthly users' newsletter.

All operating system software on the two mainframe computers was upgraded to improve users' access to both computers. Telecommunications hardware and new software were installed to improve remote network management.

Systems and Programming

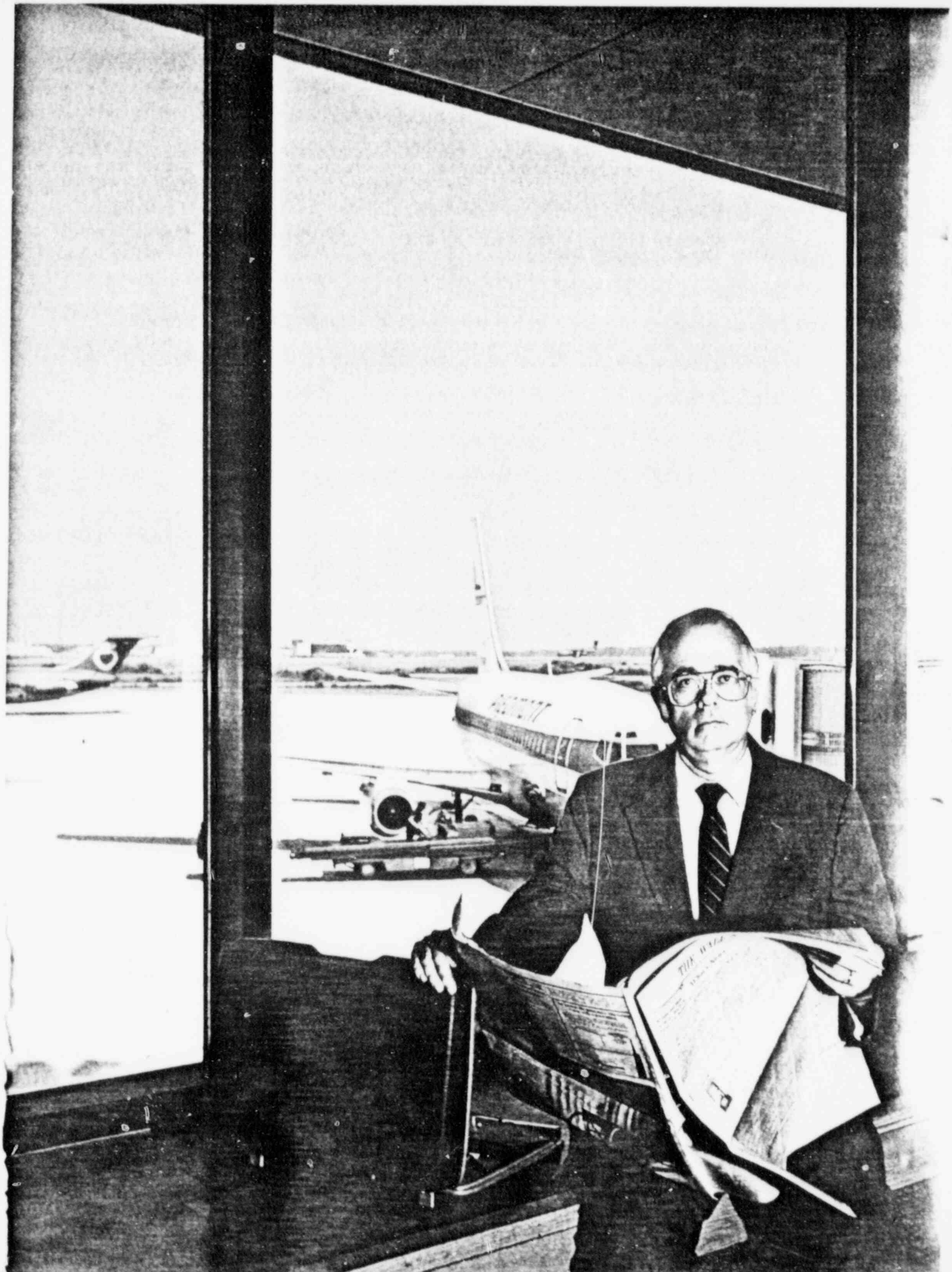
Systems and Programming completed a large variety of application pro-

Kenneth R. Ford

No rate increases during at least the next three fiscal years. The Finance Department will move toward accomplishing this major goal through upgrading and fine-tuning Santee Cooper's budgeting, forecasting, and financial planning systems. Employees will use totally integrated workstations to increase performance and efficiency through end-user computing. Preparations are underway for additional advance refundings, and the introduction of a $500 mini-bond program will allow more Santee Cooper employees and customers to invest in the company.

Ken Ford

Vice President, Finance



jects. This included the areas of inventory control and accounting, materials control, property management, occupational health, retail outdoor lighting, and meter reading.

Other applications coordinated by Systems and Programming concerned meter testing, Rediversion Project correspondence, employee savings bond purchasing, and payroll tax reporting.

Also, the payroll, purchasing, and retail billing systems were upgraded.

Data Center

Peripheral equipment, including more disk storage and a new controller to improve communication with remote locations, was added to the mainframe computer system. High-speed long and short range modems were added to transmit data.

TREASURY

Two successful refunding bond issues occurred during the fiscal year.

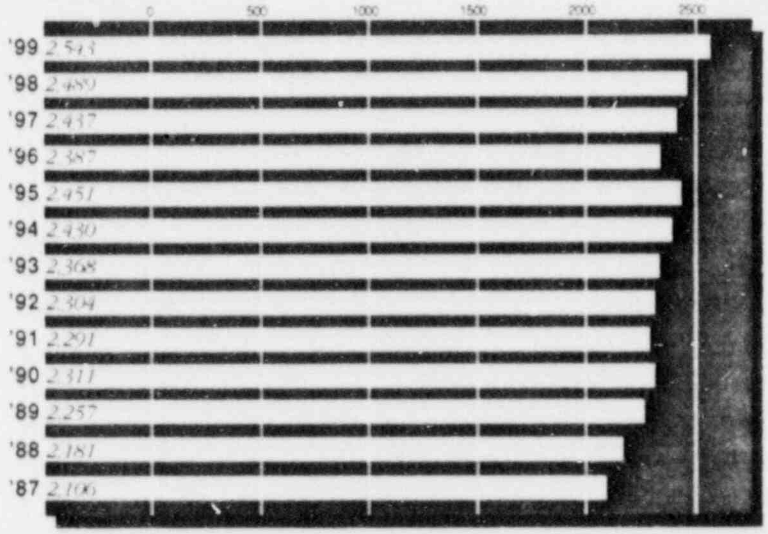
The first refunding issue — the largest Electric System Expansion Revenue bond sale by Santee Cooper — was the 1986 Refunding Series C and D in the principal amount of $335,630,000. This resulted in present value savings of $35,893,000 and gross savings of over $99,662,000.

The second refunding issue was the 1987 Refunding Series A in the principal amount of $192,660,000, which resulted in a present value savings of $19,373,000 and a gross savings of approximately $53,883,000. This was one of the first refundings issued by a major entity to be sold by competitive bid, rather than by negotiation.

The two issues combined produce an average annual savings of approximately $4.3 million.

TOTAL PEAK DEMAND FORECAST (MW)

Calendar Year



TOTAL ENERGY FORECASE (GWH)

Calendar Year

Schedule of Bonds Outstanding

As of June 30, 1987
(In Thousands)

Maturity Date July 1	1950 Issue Int. Rate	1950 Issue Amt.	1967 Issue Int. Rate	1967 Issue Amt.	1973 Refunding Issue Int. Rate	1973 Refunding Issue Amt.	1973 Issue Int. Rate	1973 Issue Amt.	1974 Issue Int. Rate	1974 Issue Amt.	1977 Refunding Issue Int. Rate	1977 Refunding Issue Amt.	1977 Issue Int. Rate	1977 Issue Amt.	1978 Issue Int. Rate	1978 Issue Amt.
1987	2.70	300	4.10	685*	5.00	965	5.20	1,185	6.00	1,250	4.90	3,120	4½	490	4.80	1,070
1988	2.70	310	4.10	715*	5.00	1,010	5.20	1,250	6.00	1,325	5.00	3,280	4.60	515	4.90	1,125
1989	2.70	480	4.10	575*	5.00	1,060	5¼	1,315	6.10	1,405	5.10	3,450	4.70	540	5.00	1,200
1990	2.70	1,900	4.10	420*			5¼	1,380	6.20	1,505	5.20	3,620	4.80	570	5.05	1,155
1991	2.70	1,950	4.10	440*			5.30	1,455	6¼	1,590	5.30	3,830	4.90	590	5.10	1,220
1992	2.70	2,005	[illegible]0	455*			5.40	1,530	6.30	1,695	5.40	4,035	5.00	625	5.15	1,285
1993	2.70	2,060	[illegible]0	480*			5.40	1,615	6.30	1,795	5½	4,260	5.10	660	5.20	1,355
1994			4.10	2,605*			5¾	1,700*	6.40	1,910	5.60	4,480	5.20	720	5¼	1,440
1995			4.10	2,720*			5¾	1,795*	6.40	2,035	5.65	4,710	5.30	785	5.30	1,515
1996			4.10	2,845*			5¾	1,900*	6.40	2,155	5.70	4,995	5.40	830	5.35	1,585
1997			4.10	2,975*			5¾	2,010*	6½	2,295	5.70	5,265	5.45	890	5.40	1,670
1998			4.10	3,105*			5¾	2,125*	6½	2,435	5⅞	5,590*	5½	935	5.40	1,760
1999			4.10	3,245*			5¾	2,245*	6½	2,590	5⅞	5,915*	5½	1,005	5.70	1,850*
2000			4.10	3,395*			5¾	2,375*	6¾	2,750*	5⅞	6,275*	5.55	1,065	5.70	1,940*
2001			4.10	3,545*			5¾	2,510*	6¾	2,920*	5⅞	6,665*	5.60	1,130	5.70	2,045*
2002			4.10	3,705*			5¾	2,655*	6¾	3,110*	5⅞	7,050*	5.60	1,220	5.70	2,145*
2003			4.10	3,870*			5¾	2,810*	6¾	3,295*	6.00	7,490*	5¾	1,295*	5.70	2,260*
2004			4.10	4,045*			5¾	2,970*	6¾	3,505*	6.00	7,950*	5¾	1,380*	5.70	2,380*
2005			4.10	4,230*			5¾	3,140*	6¾	3,730*	6.00	8,450*	5¾	1,460*	5.70	2,500*
2006			4.10	4,420*			5¾	3,325*	6¾	3,950*	6.00	8,970*	5¾	1,570*	5.70	2,630*
2007							5¾	3,515*	6¾	4,205*	6.00	9,400*	5¾	1,795*	5.70	7,385*
2008							5¾	3,715*	6¾	4,470*	6.00	9,950*	5¾	1,945*	5.70	7,845*
2009							5¾	3,930*	6¾	4,745*	6.00	10,565*	5¾	2,080*	5⅞	8,330*
2010							5¾	4,155*	6¾	5,045*	6.00	11,210*	5¾	2,225*	5⅞	8,845*
2011							5¾	11,520*	6¾	5,350*	6.00	4,980*	5¾	2,180*	5⅞	9,390*
2012							5¾	12,180*	6¾	5,695*	6.00	5,315*	5¾	2,300*	5⅞	9,980*
2013							5¾	12,880*	6¾	6,045*	6.00	5,625*	5¾	2,500*	5⅞	10,590*
2014									6¾	20,045*	6.00	6,010*	5¾	2,640*	5⅞	11,250*
2015											6.00	9,515*	5¾	21,065*	5⅞	11,950*
2016											6.00	11,285*	5¾	21,235*	5⅞	12,553*
2017													5¾	34,580*	5⅞	13,190*
2018															5⅞	50,600*
2019																
2020																
2021																
2022																
Total Outstanding		9,005		48,475		3,035		93,185		102,845		193,255		112,820		196,040
Bonds Redeemed to 6-30-87		6,295		3,125		9,015		6,815		6,155		21,895		2,180		3,960
Bonds Refunded to 6-30-87		0		0		0		0		0		0		0		0
Original Issue		15,300		51,600		12,050		100,000		109,000		215,150		115,000		200,000

*Term Bonds

See Schedule of Refunded Bonds following

APERTURE CARD

Also Available On Aperture Card

1978 Issue		1979A Issue		1980A Issue		1981A Issue		1981C Issue		1982A Issue		1982B Issue		1982 Refunding Issue		1985 Refunding Issue	
Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
0	1,070	5.55	1,065	8.90	875	7.80	680	10¾	785	10.00	1,465	10.00	655	7¼	435	6¼	435
0	1,125	5.60	1,105	9.00	950	8.00	760	11.00	865	10½	1,595	10¼	740	7½	470	6¾	460
0	1,200	5.70	1,150	9.10	1,035	8.15	845	11¼	965	11.00	1,735	10½	835	7¾	505	7.00	490
5	1,155	5¾	1,195	9.20	1,130	8.30	940	11½	1,070	11½	1,905	10¾	940	8.00	545	7¼	525
0	1,220	5.85	1,240	9¼	1,235	8.45	1,050	11¾	1,185	11¾	2,105	11.00	1,060	8.20	585	7½	565
5	1,285	5.90	1,300	9.30	1,350	8.60	1,165					11¼	1,195	8.40	635	7¾	605
20	1,355	5.95	1,360	9.40	1,475	8¾	1,295							8.60	690	8.00	650
[illegible]	1,440	6.00	1,425	9.45	1,615	8.90	1,435							8¾	750	8.20	705
10	1,515	6.05	1,490	9½	1,765	9.00	1,600							9⅜	815*	8.40	765
15	1,585	6.10	1,565	9.80	1,930*	9.15	1,775							9⅜	890*	8.60	825
40	1,670	6.20	1,645	9.80	2,120*	9.30	1,970							9⅜	975*	8.80	900
40	1,760	6.30	1,725	9.80	2,330*	9¾	2,190*							9⅜	1,070*	9.00	1,060
70	1,850*	6.35	1,815	9.80	2,560*	9¾	2,430*							9⅜	1,165*	9.05	1,160
70	1,940*	6.40	1,915	9.80	2,810*	9¾	2,700*							9⅜	1,275*	9.10	1,150
70	2,045*	6.45	2,025	9.80	3,085*	9¾	2,995*							9⅜	1,395*		
70	2,145*	6½	2,135	9.80	3,385*	9¾	8,000*							9⅜	1,525*		
70	2,260*	6½	2,260														
70	2,380*	6¾	2,390*														
70	2,500*	6¾	2,540*													9⅜	5,000*
70	2,630*	6¾	2,695*														
70	7,385*	6¾	2,865*														
70	7,845*	6¾	3,010*														
/8	8,330*	6¾	3,160*														
/8	8,845*	6⅞	3,335*														
/8	9,390*	6⅞	3,525*														
/8	9,980*	6⅞	3,720*														
/8	10,590*	6⅞	3,925*														
/8	11,250*	6⅞	4,140*														
/8	11,950*	6⅞	4,370*														
/8	12,555*	6⅞	4,610*														
/8	13,190*	6⅞	4,870*														
/8	50,600*	6⅞	5,135*														
		6⅞	25,550*														
	196,040		106,255		29,650		31,830		4,870		8,805		5,425		13,725		15,295
	3,960		3,745		2,625		1,170		710		1,375		565		0		410
	0		0		42,725		42,000		144,420		154,820		159,010		280,275		160,510
	200,000		110,000		75,000		75,000		150,000		165,000		165,000		294,000		176,215

Dupe of
8803210183-01

Schedule of Refunded Bonds

As of June 30, 1987
(In Thousands)

Series	1980 Issue		1981A Issue		1981B Issue		1981C Issue	
Call Date	July 1, 1990		July 1, 1991		July 1, 1991		July 1, 1991	
Original Maturity Date	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1987								
1988								
1989								
1990								
1991								
1992							12.00	1,315
1993							12¼	1,470
1994							12½	1,635
1995					11.00	3,090		
1996					11.10	4,000		
1997					11.20	4,220		
1998					11.30	4,590		
1999					11.40	5,090		
2000					11½	12,010		
2001							13¼	20,000*
2002								
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010	10⅛	42,725*						
2011								
2012								
2013					9¼	28,000*		
2014								
2015							10.00	20,000*
2016								
2017								
2018								
2019								
2020			10¼	42,000*	12.00	89,000*		
2021					10½	50,000*	13¾	100,000*
2022								
Totals Per Series		42,725		42,000		200,000		144,420

Series	1982A Issue		1982B Issue		1982 Ref. Issue		1985 Ref. Issu	
Call Date	July 1, 1991		July 1, 1992		July 1, 1992		July 1, 1995	
Original Maturity Date	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Am
1987								
1988								
1989								
1990								
1991								
1992	12.00	2,335						
1993	12.30	2,590	11.60	1,345				
1994	12.60	2,895	11.90	1,515				
1995			12.10	1,815				
1996			12.20	2,040				
1997			12.30	2,295				
1998								
1999								
2000								
2001								
2002								
2003	13¾	20,000*						
2004								
2005			12¾	40,000*				
2006								
2007								
2008								
2009								
2010								
2011								
2012					9.60	37,235*		
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022	14⅛	127,000*	13.00	110,000*	9.70	243,040*	9½	160,51
Totals Per Series		154,820		159,010		280,275		160,51

*Term Bonds

1985 Issue Int. Rate	1985 Issue Amt.	1985A Refunding Issue Int. Rate	1985A Refunding Issue Amt.	1986A&B Refunding Issue Int. Rate	1986A&B Refunding Issue Amt.	1986C & D Refunding Issue Int. Rate	1986C & D Refunding Issue Amt.	1987A Refunding Issue Int. Rate	1987A Refunding Issue Amt.	Total Principal Maturities	Accruing Interest	Total Debt Service
6¼	13,500	5¾	320					3¼	715	29,995	144,449	174,444
6¾	13,500	6¼	335			4½	760	3.90	785	31,855	136,385	168,240
7.10	13,500	6¾	360			5.00	795	4.30	805	33,045	134,299	167,344
7.40	13,500	7.00	380			5¼	830	4.60	850	34,360	132,047	166,407
7.70	13,500	7¼	410	6¾	1,890	5.40	875	4.80	880	37,655	129,655	167,310
8.00	13,500	7½	440	7.00	5,665	5.60	925	5.00	930	39,340	126,959	166,299
8.20	13,500	7¾	470	7.15	7,380	5.80	975	5.90	975	40,995	124,236	165,231
8.40	13,500	8.00	510	7.30	7,890	6.00	1,030	5.90	1,025	42,740	121,393	164,133
8.70	13,500	8.20	2,425	7.40	6,580	6.20	1,095	5.90	1,080	44,675	118,340	163,015
		8.40	2,030	7½	7,645	6.40	1,160	5.90	1,140	33,270	115,072	148,342
		8.60	2,390	7.60	7,995	6.60	1,235	6.00	1,205	35,540	112,807	148,347
		8.70	4,980	7.70	5,925	6.70	1,320	6.10	1,280	37,830	110,351	148,181
		8¾	5,405	7.80	6,365	6.80	1,400	6¼	1,350	40,500	107,666	148,166
				7.80	13,200	6.90	1,505	6.40	1,435	43,790	104,761	148,551
		9.00	11,020*	7.90	835	7.00	1,605	6½	2,875	44,650	101,651	146,301
		9.00	6,090*	7.90	900	7.05	1,715	6½	4,280	47,915	98,380	146,295
		9.00	15,390*	8.00	4,695	7.10	3,510	6.60	4,575	51,450	94,849	146,299
				8.00	5,070	7.10	4,920	6¾	20,390	55,000	91,195	146,195
				8.00	5,475	7.10	5,265	6¾	16,795	58,585	87,637	146,222
				8.00	5,910	7.20	5,625	6¾	2,350	41,445	83,712	125,157
				8.10	6,390	7.20	6,000	6¾	2,525	44,080	81,077	125,157
				8.10	6,905	7.00	6,415*	6⅞	2,715*	46,970	78,189	125,159
				8.00	7,465*	7.00	6,850*	6⅞	2,925*	50,050	75,120	125,170
				8.00	8,060*	7.00	7,310*	6⅞	3,140*	53,325	71,839	125,164
				8.00	10,480*	7.00	6,025*	6⅞	3,380*	56,830	68,338	125,168
				8.00	11,315*	7.00	6,4[illegible]	6⅞	3,625*	60,560	64,604	125,164
				8.00	12,230*	7.30	6,8[illegible]	6.90	3,880*	64,545	60,621	125,166
		9.20	6,745*	8.00	2,095*	7.30	7,915*	6.90	4,150*	64,990	56,352	121,342
		9.20	7,700*	8.00	2,260*	7.30	8,145*	6.90	4,465*	69,470	51,889	121,359
				8.00	2,445*	7.30	20,430*	6.90	4,785*	77,345	47,312	124,657
				8.00	2,625*	7.30	21,875*	6.90	5,160*	82,300	42,342	124,642
				8.00	2,850*	7.30	23,425*	6.90	5,575*	87,585	37,081	124,666
		9.20	29,520*	8.00	3,740*	7.30	25,080*	6.90	6,030*	89,920	31,433	121,353
		9.20	39,725*	7.30	23,675*	7.30	27,005*	6.90	6,520*	96,925	24,414	121,339
		9.20	41,200*			7.30	56,985*	6.90	7,040*	105,225	16,681	121,906
						6⅜	62,325*	7.00	61,025*	123,350	8,245	131,595
	121,500		177,845		195,955		335,630		192,660	1,998,105	3,091,381	5,089,486
	13,500		0		0		0		0	83,540		
	0		0		0		0		0	983,760		
	135,000		177,845		195,955		335,630		192,660	3,065,405		

APPLICATIONS OF REVENUE

Years Ended June 30, 1987 and 1986

	1987	1986
Total Operating Revenues	$ 480,059,055	$ 455,000,175
Operating Expenses:		
Operation		
Production	204,600,163	195,057,706
Purchased and Interchanged Power — Net	2,698,075	(213,379)
Transmission	1,821,495	1,991,478
Distribution	2,300,421	2,158,299
Customer Accounts	(172,250)	1,849,974
Sales	317,427	283,845
Administrative and General	28,692,720	25,231,152
Maintenance	33,388,056	34,596,425
Total Operation and Maintenance Expenses	273,646,107	260,955,500
Sums in Lieu of Taxes	2,389,663	2,176,137
Total Operating Expenses	276,035,770	263,131,637
Net Operating Revenues	204,023,285	191,868,538
Other Income	24,996,744	26,687,030
Revenue Available for Debt Service and Other Purposes	229,020,029	218,555,568
Total Debt Service	154,236,930	150,910,358
Lease Payments to Central	5,465,308	5,466,375
Principal and Interest on Other Obligations	25,038,097	23,759,265
Balance after Debt Service, Lease Payments, and Other Obligations	44,279,694	38,419,570
Payments to the State of South Carolina	2,003,036	1,900,012
Payment to the Special Reserve Fund — net	1,459,116	1,392,865
Mandatory 8% Allocation for Capital Improvements	26,761,366	26,057,714
Revenue Available for Operating Requirements	$ 14,056,176	$ 9,068,979

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

Financial Statements

South Carolina Public Service Authority

Fiscal Year 1987

Report of Independent Certified Public Accountants

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

We have examined the balance sheets of the South Carolina Public Service Authority as of June 30, 1987 and 1986, and the related statements of reinvested earnings, accumulated earnings reinvested in the business, and changes in financial position for each of the three years in the period ended June 30, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1987 and 1986, and the results of its operations and changes in its financial position for each of the three years in the period ended June 30, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Coopers & Lybrand
Columbia, South Carolina
August 28, 1987

Balance Sheets

South Carolina Public Service Authority
June 30, 1987 and 1986

Assets	1987	1986
	(Thousands)	
Utility Plant — At Cost:		
Electric plant in service	$ 2,050,086	$ 2,018,545
Construction work in progress	72,415	57,232
Total	2,122,501	2,075,777
Less accumulated depreciation	415,187	352,252
Electric plant — net	1,707,314	1,723,525
Nuclear fuel — net	20,534	22,366
Utility plant — net	1,727,848	1,745,891
Other Physical Property (Net of Accumulated Depreciation)	379	390
Cash and Investments Held by Trustee	345,828	335,364
Current Assets:		
Cash and investments held by trustee	34,775	33,125
Accounts receivable, less allowance for doubtful accounts of $844,000 in 1987 and $3,619,000 in 1986	53,899	51,967
Accrued interest receivable	3,961	1,683
Inventories, at average cost:		
Fuel (coal and oil)	29,762	41,100
Materials and supplies	6,142	5,911
Prepaid expenses	2,440	2,024
Total current assets	130,979	135,810
Deferred Debits:		
Unamortized debt expense	18,676	22,045
Unamortized loss on refunded debt	230,137	154,666
Costs to be recovered from future revenue	197,347	168,426
Other	3,296	2,727
Total deferred debits	449,456	347,864
Total	$ 2,654,490	$ 2,565,319

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

Liabilities and Capitalization	1987	1986
	(Thousands)	
Long-Term Debt:		
Priority Obligations	$ 60,515	$ 62,385
Electric System Expansion Revenue Bonds	1,816,090	1,740,845
Subtotal	1,876,605	1,803,230
Electric Revenue Bonds	121,500	135,000
Capitalized lease obligations	71,755	74,538
Other	0	543
Total long-term debt	2,069,860	2,013,311
Less:		
Reacquired debt	2,220	2,880
Unamortized debt discount and premium — net	27,271	18,387
Long-term debt — net	2,040,369	1,992,044
Accrued Interest on Long-Term Debt	71,113	71,819
Construction Fund Liabilities — Accounts Payable	1,737	6,632
Other Non-current Liabilities	6,303	4,410
Current Liabilities:		
Commercial paper	50,000	50,000
Accounts payable	28,695	22,819
Customer deposits	4,690	4,435
Accrued sums in lieu of taxes	1,146	1,076
Other	7,212	6,935
Total current liabilities	91,743	85,265
Commitments and Contingencies		
Deferred Credits:		
Unamortized gain on reacquired debt	406	833
Nuclear fuel settlement	16,344	16,128
Total deferred credits	16,750	16,961
Capital Contributions — U.S. Government Grants	34,438	34,438
Accumulated Earnings Reinvested in the Business	392,037	353,750
Total	$ 2,654,490	$ 2,565,319

Statements of Accumulated Earnings Reinvested in the Business

South Carolina Public Service Authority
Years Ended June 30, 1987, 1986 and 1985

	1987	1986	1985
		(Thousands)	
Accumulated earnings reinvested in the business — beginning of year	**$ 353,750**	$ 325,545	$ 281,297
Reinvested earnings for the year	**40,290**	30,106	45,948
Total	**394,040**	355,651	327,245
Distribution to the State of South Carolina (See note below)	**2,003**	1,901	1,700
Accumulated earnings reinvested in the business — end of year	**$ 392,037**	$ 353,750	$ 325,545

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

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

Statements of Reinvested Earnings

South Carolina Public Service Authority
Years Ended June 30, 1987, 1986 and 1985

	1987	1986	1985
		(Thousands)	
Operating Revenues:			
Sales of electricity	**$ 475,425**	$ 451,537	$ 428,361
Other operating revenues	**4,634**	3,463	2,261
Total operating revenues	**480,059**	455,000	430,622
Operating Expenses:			
Operation expense:			
Production	**204,600**	195,058	203,383
Purchased and interchanged power — net	**2,698**	(213)	(4,371)
Transmission	**1,821**	1,991	1,842
Distribution	**2,300**	2,158	1,665
Customer accounts	**(172)**	1,850	1,826
Sales	**318**	284	162
Administrative and general	**28,693**	25,231	23,533
Maintenance expense	**33,388**	34,596	31,193
Total operation and maintenance expense	**273,646**	260,955	259,233
Depreciation	**65,033**	63,764	61,640
Sums in lieu of taxes	**2,390**	2,176	1,920
Total operating expenses	**341,069**	326,895	322,793
Operating Income	**138,990**	128,105	107,829
Other Income:			
Interest income:			
Other funds	**25,178**	26,833	26,059
Borrowed funds	**284**	5,459	16,583
Other income (expense) — net	**(181)**	(146)	(125)
Total other income	**25,281**	32,146	42,517
Subtotal	**164,271**	160,251	150,346
Interest Charges:			
Interest on long-term debt	**144,190**	150,224	159,634
Other	**9,030**	5,983	8,205
Total interest charges	**153,220**	156,207	167,839
Subtotal	**11,051**	4,044	(17,493)
Costs to be recovered from future revenue	**28,921**	27,863	67,207
Other deductions — net	**(318)**	1,801	3,766
Reinvested Earnings	**$ 40,290**	$ 30,106	$ 45,948

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

Statements of Changes in Financial Position

South Carolina Public Service Authority
Years Ended June 30, 1987, 1986 and 1985

	1987	1986	1985
		(Thousands)	
Funds Provided By:			
Operations:			
Reinvested earnings	$ 40,290	$ 30,106	$ 45,948
Charges (credits) to reinvested earnings not providing or requiring funds:			
Depreciation	65,033	63,764	61,640
Amortization of debt discount and expense	2,408	2,281	2,483
Amortization of gain or loss on reacquired debt — net	4,061	1,220	(146)
Costs to be recovered from future revenue	(28,921)	(27,863)	(67,207)
Total from operations	82,871	69,516	42,718
Sale of bonds/notes	528,290	195,955	489,060
Nuclear fuel settlement	217	173	479
Increase (decrease) other - net	1,984	(1,370)	21
Total funds provided	613,362	264,274	532,278
Funds Applied To:			
Increase in utility plant	46,978	35,857	56,256
Retirement of long-term debt	468,958	177,475	493,268
Increase (decrease) in cash and investments	10,465	41,779	(112,494)
Decrease (increase) in interest on long-term debt	705	(6,167)	10,529
Increase (decrease) in unamortized debt discount and expense	7,924	50	(1,770)
Decrease in construction fund liabilities	4,895	7,606	4,051
Principal payments — capitalized lease obligations	2,784	2,716	2,645
Distribution to the State of South Carolina	2,003	1,901	1,700
Increase in unamortized loss on refunded debt	79,959	28,237	56,460
Total funds applied	624,671	289,454	510,645
Increase (Decrease) in Working Capital	$ (11,309)	$ (25,180)	$ 21,633
Increase (Decrease) in Working Capital by Component:			
Cash and investments held by trustee	$ 1,650	$ (2,563)	$ 9,740
Accounts receivable, less allowance for doubtful accounts	1,932	11,877	9,908
Accrued interest receivable	2,278	(1,190)	372
Inventories	(11,107)	(9,993)	9,050
Other current assets	416	617	(193)
Accounts payable	(5,876)	5,393	(6,201)
Customer deposits	(255)	(735)	(809)
Accrued sums in lieu of taxes	(70)	(57)	(154)
Commercial paper	—	(25,000)	—
Other current liabilities	(277)	(3,529)	(80)
Increase (Decrease) in Working Capital	$ (11,309)	$ (25,180)	$ 21,633

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

Notes to Financial Statements

June 30, 1987

Note 1 — Summary of Significant Accounting Policies:

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

B — Utility Plant Capitalization and Maintenance — Additions to plant are recorded at cost, which includes material, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to appropriate operating and maintenance expense. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

C — Depreciation — Depreciation is computed on a straight line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, was approximately 3.3% for each of the three years in the period ended June 30, 1987.

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

E — Capitalization of Interest During Construction — Interest capitalized during construction is the net cost of borrowed funds used during construction.

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

Note 2 — Costs to be Recovered from Future Revenue:

The Authority has fully adopted the provisions of Financial Accounting Standards Board Statement No. 71 (SFAS No. 71), which prescribes the accounting principles to be followed by entities subject to certain types of regulation. The most significant impact on the Authority was to recognize timing differences between costs as defined in the rate-making process and costs determined in accordance with generally accepted accounting principles. The Authority's rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation. This results in timing differences recognized as costs to be recovered from future revenue. The components of cost to be recovered from future revenue follows:

	1987	1986	1985
		(Thousands)	
Costs to be recovered from future revenue:			
Excess of depreciation over debt service. .	$ 28,921	$ 27,863	$ 41,159
Funded interest costs after in-service date.	—	—	26,048
Total	$28,921	$27,863	$67,207

Note 3 — Cash and Investments held by Trustee:

Unexpended funds from the sale of expansion bonds, debt service funds, other special funds and cash and securities are held and maintained by trustees and their use restricted in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost.

CASH — The carrying amount of the Authority's deposits were $100,211,000 and $103,605,000 at June 30, 1987 and 1986, respectively. Bank balances were $26,181,000 and $17,449,000 at June 30, 1987 and 1986, respectively. Bank balances are covered by federal depository insurance or by collateral held in the pledging bank's trust department. The Authority's deposits included $90,327,000 at June 30, 1987 and $91,018,000 at June 30, 1986 for bond principal and interest payments due on July 1, 1987 and 1986, respectively, and may exceed federal depository insurance limits.

INVESTMENTS — Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, and certificates of deposit. The Authority's investments consist solely of U.S. Government securities and certificates of deposit. The market value of all investments exceeded the carrying value by approximately $5,000,000 and $10,000,000 at June 30, 1987 and 1986, respectively.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes only U. S. Government securities which are registered and held by trust agents in their name. Category 2 includes insured certificates of deposit which are held by trust agents in the Authority's name.

	1987				1986			
	INVESTMENTS				INVESTMENTS			
	CATEGORY 1	CATEGORY 2	CASH	TOTAL	CATEGORY 1	CATEGORY 2	CASH	TOTAL
				(Thousands)				
Unexpended Funds								
1982B Bonds (Cross '84)	$	$	$	$	$ 18,720	$	$ (167)	$ 18,553
General Improvement Funds	74,682	700	689	76,071	45,021		19	45,040
Debt Service and Special Indentured Bonds								
Interest Fund			1,191	1,191			1,232	1,232
Bond Fund			1,957	1,957			1,877	1,877
Debt Service	8,806		1	8,807	8,814		3	8,817
Expansion Bonds								
Interest Fund			14,545	14,545			12,260	12,260
Bond Fund			65,078	65,078			65,331	65,331
Debt Service	136,025		47	136,072	135,634		5,778	141,412
Subordinated Bonds								
Interest Fund			13,500	13,500			13,500	13,500
Bond Fund			4,624	4,624			5,029	5,029
Debt Service	2,023	2,975	47	5,045	5,027		5	5,032
Other Special Funds	23,555		(4,617)	18,938	20,267		(2,986)	17,281
Total	$245,091	$3,675	$ 97,062	$345,828	$233,483	$0	$101,881	$335,364
Revenue Fund	$ 25,522	$	$ 3,148	$ 28,670	$ 26,771	$	$ 1,717	$ 28,488
Special Reserve Fund	6,104		1	6,105	4,630		7	4,637
Total	$ 31,626	$ 0	$ 3,149	$ 34,775	$ 31,401	$0	$ 1,724	$ 33,125

Note 4 — Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interest of 33⅓% and 66⅔%, respectively. SCE&G is solely responsible for the operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. At June 30, 1987 and 1986, the plant accounts included approximately $426,070,000 and $425,980,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended which includes a component for estimated disposal costs of spent nuclear fuel. These amortizations are included in fuel expense and are recovered through the Authority's rates. Decommissioning costs (costs to take the plant out of service in the future) for the Summer Nuclear Station are estimated to be $314 million, for the Authority's ⅓ ownership, based on a 30 year useful life with decommissioning expected to commence in the year 2013. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates. The estimated decommissioning costs are periodically reviewed and adjustments recorded as appropriate.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the order approving the settlement, the court imposed confidentiality upon the details of the settlement. The Authority has received approximately $10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of some uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount.

Amounts received due to the breach of contract have been included in deferred credits and will be applied as a reduction of uranium fuel costs. This is consistent with SCE&G's treatment pursuant to an order from the South Carolina Public Service Commission. The cost of nuclear fuel purchased has been reduced by approximately $4,000,000.

Note 5 — Long-Term Debt Outstanding:

	June 30 1987	June 30 1986
	(Thousands)	
Priority Obligations:		
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1987 to 1993	$ 9,005	$ 9,295
Electric Revenue Bonds, Series of 1967, bearing interest at 4.10% and due 1987 and 2006	43,475	49,135
Electric Revenue Bonds, Refunding Series of 1973, bearing interest at 5% and due 1987 to 1989	3,035	3,955
Total Priority Obligations	60,515	62,385
Electric System Expansion Revenue Bonds:		
1973 Series, bearing interest from 5.20% to 5.75% and due 1987 to 1993 and 2013	93,185	94,315
1974 Series, bearing interest from 6% to 6.75% and due 1987 to 1999 and 2014	102,845	104,015
1977 Refunding Series, bearing interest from 4.90% to 6% and due 1987 to 1997 and 2002 and 2016	193,255	196,230
1977 Series, bearing interest from 4.50% to 5.75% and due 1987 to 2002 and 2017	112,820	113,290
1978 Series, bearing interest from 4.80% to 5.875% and due 1987 to 1998 and 2008 and 2018	196,040	197,055
1979 Series A, bearing interest from 5.55% to 6.875% and due 1987 to 2003 and 2009 and 2019	106,255	107,280
* 1980 Series A, bearing interest from 8.90% to 9.80% and due 1987 to 1995 and 2002	29,650	30,450
* 1981 Series A, bearing interest from 7.80% to 9.75% and due 1987 to 1997 and 2002	31,830	32,445
* 1981 Series C, bearing interest from 10.75% to 11.75% and due 1987 to 1991	4,870	5,580
* 1982 Series A, bearing interest from 10% to 11.75% and due 1987 to 1991	8,805	10,180
* 1982 Series B, bearing interest from 10% to 11.25% and due 1987 to 1992	5,425	5,990
* 1982 Refunding Series, bearing interest from 7.25% to 9.375% and due 1987 to 1994 and 2002	13,725	294,000
* 1985 Refunding Series, bearing interest from 6.25% to 9.375% and due 1987 to 2000 and 2005	15,295	176,215
1985A Refunding Series, bearing interest from 5.75% to 9.20% and due 1987 to 1999 and 2003 and 2021	177,845	177,845
1986 A&B Refunding Series, bearing interest from 6.75% to 8.10% and due 1991 to 2008 and 2019 and 2020	195,955	195,955
1986 C&D Refunding Series, bearing interest from 4.[illegible]% to 7.30% and due 1988 to 2007 and 2012 and 2021 and 2022	335,630	—
1987 A Refunding Series, bearing interest from 3.25% to 7% and due 1987 to 2007 and 2012 and 2021 and 2022	192,660	—
Total Electric System Expansion Revenue Bonds	1,816,090	1,740,845
Electric Revenue Bonds, 1985 Series, bearing interest from 6.25% to 8.70% and due 1987 to 1995	121,500	135,000
Capitalized Subordinated Lease Contracts, payable 1987 to 2015	71,755	74,538
Other	—	543
Total Long-Term Debt	$2,069,860	$2,013,311

*See schedule below for refunded debt.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. In fiscal year 1987, the Authority issued $528 million in Electric System Expansion Bonds to advance refund certain maturities of the 1982 and 1985 Refunding Series Bonds (the original bonds) aggregating $441 million. The new bonds bear an average interest rate of approximately 6.9%. The original bonds averaged approximately 9.6%. The net proceeds of the bonds, $509 million (after payment of $5.8 million and $10.2 million in underwriting fees and original issue discount) plus an additional $3.8 million were used to purchase U.S. Government securities. In fiscal year 1986, the Authority issued $196 million in Electric System Expansion Bonds to advance refund certain maturities of the 1980, 1981, and 1982 (the original bonds) aggregating $167 million. The new bonds bear an average interest rate of approximately 7.9%. The original bonds averaged approximately 10.5%. The net proceeds of the bonds, $189 million (after $2.9 million payment of $4.1 million in underwriting fees and original issue discount) plus an additional 2.9 million were used to purchase U.S. Government securities. The securities have been placed in an irrevocable trust to provide for all future debt service payments on the original bonds. As a result, the original bonds are considered defeased and the liability for those bonds has been removed from the Authority's accounts.

Although the advance refunding resulted in an accounting loss of approximately $81 million and $28 million in 1987 and 1986, respectively, the Authority was able to reduce its total debt service over the next 36 years by approximately $164 million in 1987 and $28 million in 1986 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and the new debt) of approximately $56 million in 1987 and $14 million in 1986.

Amounts outstanding, original loss on refunding, and the unamortized loss at June 30, 1987 follows:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
	(Thousands)			
1977 Refunding	1971 and 1976 Series	$ 0	$ 11,244	$ 7,423
1985A Refunding	$139,000 of the 1981 Series B and $ 40,000 of the 1982 Series C	179,000	27,853	24,680
Cash Defeasance	$ 20,000 of the 1982 Series A	20,000	2,763	2,579
1986 A&B Refunding	$ 42,725 of the [illegible] Series A $ 42,000 of the [illegible] Series A $ 61,000 of the [illegible] Series B $ 4,420 of the [illegible] Series C $ 7,820 of the 1982 Series A $ 9,010 of the 1982 Series B	166,975	28,812	29,402
1986 C&D Refunding	1982 Refunding Series ($100,000 of the 1981 Series C and $127,000 of the 1982 Series A)	507,365	110,372	109,524
1987A Refunding	1985 Refunding Series ($150,000 of the 1982 Series B)	310,510	60,029	56,529
Total		$ 1,183,850	$ 241,073	$ 230,137

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

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three preceding fiscal years. The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being, or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued, or authorized but not yet issued, (ii) payments into the lease fund, and (iii) payments into the capital improvement fund.

Maturities of electric revenue bonds, priority obligations and expansion bonds during the years ending June 30, 1988 through 1992, are as follows:

	Electric Revenue Bonds	Priority Obligations & Expansion Bonds	Total
		(Thousands)	
June 30, 1988	$ 13,500	$ 16,495	$ 29,995
June 30, 1989	13,500	18,356	31,856
June 30, 1990	13,500	19,545	33,045
June 30, 1991	13,500	20,860	34,360
June 30, 1992	13,500	24,155	37,655
Total	$ 67,500	$ 99,410	$ 166,910

Note 6 — Commercial Paper:

The Board of Directors authorized the issuance of commercial paper not to exceed $50,000,000. The paper will be issued for valid corporate purposes with a term not to exceed 270 days at an annual interest rate not to exceed 9.5%. As of June 30, 1987 and 1986, the effective interest rate on outstanding borrowings was 4.47% and 4.17%, respectively. During 1987 and 1986 the average effective interest rate was 4.18% and 4.72%, the average amount outstanding was $50,000,000 and $43,829,000 and the average maturity was 44 and 43 days, respectively.

At June 30, 1987, the Authority had a Revolving Credit Agreement with various lenders of $50,000,000. This Agreement is used to support the Authority's issuance of commercial paper. Under the Agreement the Authority is required to pay a fee equal to 1/8 of 1% on the total line of credit, plus 1/8 of 1% on the average principal amount of the paper outstanding. No loans were outstanding under the Agreement at June 30, 1987.

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

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from eight to twenty-eight years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreement for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases. Power supply and transmission services are provided to Central in accordance with the Power System Coordination and Integration Agreement dated January 19, 1981. This agreement also provides that each party will have an option to share ownership of future generating facilities to be constructed by the other. Central has advised the Authority that it will exercise its option to own 45% of the second unit at Cross and the Pee Dee generating station subject to obtaining financing guaranteed by REA.

Future minimum lease payments on Central leases, at June 30, 1987, were:

Years ending June 30:	Amount
(Thousands)	
1988	$ 5,402
1989	5,345
1990	5,258
1991	5,258
1992	5,258
Thereafter	80,436
Total minimum lease payments	106,957
Less, amounts representing interest	35,202
Balance at June 30, 1987	$ 71,755

Note 8 — Commitments and Contingencies:

Based on a May 1985 load forecast, the Board deferred indefinitely the construction of the second unit at the Cross Generating Station. In conjunction with this deferral, $3,766,000 of contract cancellation charges were incurred and charged to reinvested earnings for 1985.

During 1982, FERC notified the Authority that the Pinopolis West Dam and the North Santee Dam, which form a part of the Authority's electric utility system, possessed marginal seismic stability under applicable design earthquake criteria. FERC indicated that remedial measures should be undertaken by the Authority to provide an increased level of seismic stability. The Authority engaged an engineering firm to perform studies and planning to determine the extent and cost of work necessary to correct the design weaknesses. The initial engineering study has been completed and submitted to FERC for its review.

Until FERC has completed its review on the proposed modifications to the Pinopolis West Dam and the proposed remedial measures to be undertaken by the Authority on the North Santee Dam, it is not possible to estimate the extent of work necessary to correct the design weaknesses. Based on the facts as they currently exist, management believes that any cost incurred by the Authority related to the dams would not materially affect the financial position of the Authority.

Note 9 — Retirement Plan:

Substantially all Authority full-time employees participate in the South Carolina Retirement System ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the system for the years ended June 30, 1987, 1986 and 1985 was $42,484,000, $38,898,000 and $35,675,000, respectively.

Employees who retire at or after age 65 or have 30 years of service are entitled to a retirement benefit, payable monthly for life equal to 1.25 percent of the first $4,800 of their final average salary and 1.65 percent of the final average amount in excess of $4,800. Final average salary is the employee's average salary over the twelve highest consecutive quarters. Benefits fully vest on reaching 5 years of service. Vested employees may retire at or after 60 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

Employees are required by State statute to contribute 4 percent of the first $4,800 salary and 6 percent of salary greater than $4,800. The Authority is required by the same statute to contribute 7 percent of total payroll. The contribution requirement for the years ended June 30, 1987, 1986, and 1985 was $3,098,000, $2,837,000 and $2,602,000 from the Authority and $2,386,000, $2,178,000 and $1,993,000 from employees.

An actuarial valuation is performed for the System annually. At the most recent valuation date, June 30, 1986, the present value of prospective benefits payable for retired and active members was approximately $8.1 billion and exceeded the amortized cost of assets of the System by approximately $3.9 billion. The present value of prospective benefits payable is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited benefits, is intended to help users assess the System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The System does not make separate measurements of assets and benefits payable for individual employers. The Authorities 1987 contribution represented approximately two percent of the total contribution to the System.

Note 10 — Major Customers:

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

	1987	1986	1985
		(Thousands)	
Central Electric Power Cooperative, Inc.	**$ 207,000**	$ 193,000	$ 173,000
Alumax of South Carolina, Inc.	**$ 69,000**	$ 68,000	$ 86,000

Advisory Board

Carroll A. Campbell Jr.
Governor

John T. Campbell
Secretary of State

T. Travis Medlock
Attorney General

Grady L. Patterson Jr.
State Treasurer

Earle E. Morris Jr.
Comptroller General

FOR ADDITIONAL INFORMATION CONTACT:

Jerry L. Stafford
Director, Corporate Communications
One Riverwood Drive
Moncks Corner
South Carolina
29461-0398
(803) 761-4051

Management

CHANGES IN THE BOARD

There were three changes in Santee Cooper's Board of Directors during the past fiscal year. W.E. (Bill) DeLoach was appointed to fill the unexpired term of J.I. Washington III. He represents the Second Congressional District, consisting of Lexington, Richland, Bamberg, Orangeburg, and Calhoun counties. DeLoach was an executive assistant to former Governor Richard Riley and is president/owner of DeLowe Corporation. Albert Clinton Gossett Jr. was appointed to represent the Fourth Congressional District, composed of Spartanburg, Greenville, and Union Counties. He replaces J. Thomas Grier. Gossett is owner and operator of Gossett Concrete Pipe Company in Greenville. Johnnie Joseph Young of Georgetown was appointed by Governor Carroll Campbell to represent Georgetown County, replacing Marvin Thomas. Young is president and one of the founders of Low Country Forest Products, Inc.

William C. Mescher
President and Chief
Executive Officer

W. Andrew Burke
Vice President
Marketing

Kenneth R. Ford
Vice President
Finance

Joe C. Norman
Vice President
Commercial Operations

Robert E. Rainear
Vice President
Engineering & Operations

Robert V. Tanner
Vice President
Production

F. Eugene Williams
Vice President
Governmental Affairs

Curtis L. Williamson
Division Vice President
Horry-Georgetown
Division

Charles H. McGlothlin Jr.
General Counsel

John E. Bishop
Controller

H. Roderick Murchison
Treasurer

Emily Brown
Corporate Secretary

Albert Boyt Jr.
Group Manager
Transmission Operations

Bill McCall Jr.
Group Manager
Production Operations

Robert F. Petracca
Group Manager
Property & Transportation

Joseph P. Thomas
Group Manager
Planning and Energy
Control

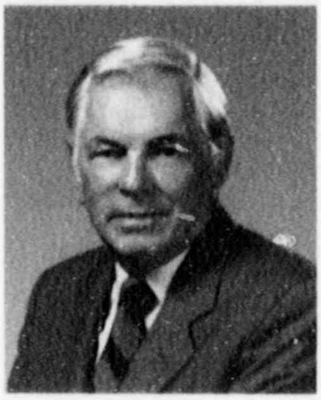
Ronald H. Holmes
Manager
Human Resources

Patrick D. Quinn
Manager
Design Engineering

Byron C. Rodgers Jr.
Manager
Engineering and
Construction Management

Jerry L. Stafford
Director
Corporate
Communications

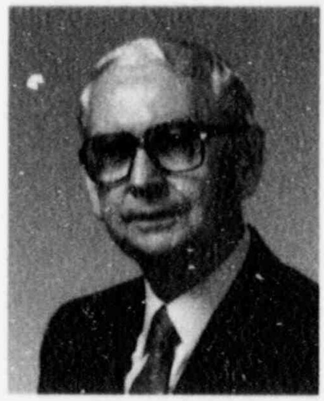
Board of Directors



Dwight A. Holder
Pickens and Hilton Head
Chairman

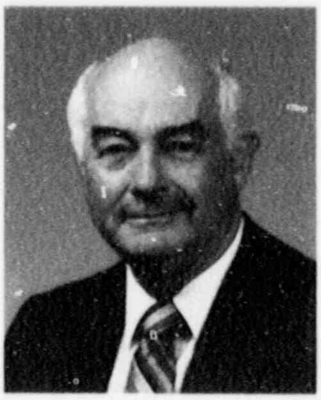
Walter T. Cox
Clemson
1st Vice Chairman
Representing 3rd
Congressional District

Harold M. Robertson
Walterboro
2nd Vice Chairman
Representing 1st
Congressional District



Robert D. Bennett
Columbia
Former Electric
Cooperative Executive

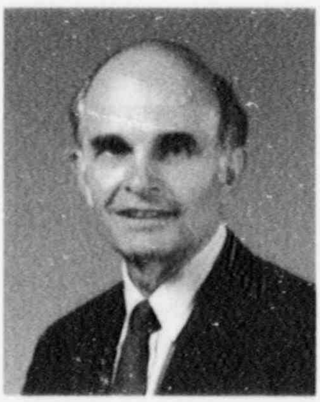
W.E. DeLoach
Columbia
Representing 2nd
Congressional District



Albert C. Gossett
Greenville
Representing 4th
Congressional District

George W. Jones Jr.
Loris
Representing Horry County

John E. Miles
Sumter
Representing 5th
Congressional District



Eugene F. Oliver
Moncks Corner
Representing Berkeley County

Henry B. Rickenbaker
Summerton
Representing 6th
Congressional District

Marvin M. Thomas
Georgetown
Representing Georgetown
County

Public Power Owned by
the People of South Carolina

Santee
Cooper

One Riverwood Drive
Moncks Corner, South Carolina
29461-0398