

Under the terms of the Act and orders of the Commission, including the Merger Order, SCANA states that it is authorized to acquire securities of companies engaged in energy-related consumer services, "energy-related businesses" as described in rule 58, exempt telecommunications companies ("ETCs"), as defined in section 34 of the Act, EWGs and FUCOs. Historically, similar acquisitions have occasionally involved the exchange of parent company stock for securities of the company being acquired in order to provide the seller with certain tax advantages. These transactions are individually negotiated. According to Applicants, the SCANA common stock to be exchanged may be purchased on the open market under rule 42, or may be original issue. Original issue stock may be registered under the Securities Act of 1933, as amended (the "1933 Act"), but at present it is expected that the common stock would not be registered and the common stock acquired by the third parties would be subject to resale restrictions under rule 144 under the 1933 Act.

B. Preferred Stock and Preferred and Equity-linked Securities

SCANA requests Commission authority during the Authorization Period to issue preferred stock (subject to approval by shareholders of the necessary amendment to the Articles of Incorporation) and to issue directly or indirectly through one or more Financing Subsidiaries preferred securities (including, specifically, trust preferred securities) or equity-linked securities (including, specifically, debt or preferred securities that are convertible, either mandatory or at the option of the holder, into common stock or SCANA indebtedness and forward purchase contracts for common stock). The aggregate amount of financing obtained by SCANA during the Authorization Period from issuance and sale of preferred stock and preferred and equity-linked securities, when combined with issuances of common stock (other than for employee benefit plans or stock purchase and dividend reinvestment plans) and long-term debt, as described below, and other than for refunding or replacement of securities where capitalization is not increased from that in place at June 30, 2002, shall not exceed \$2.2 billion.

According to Applicants, preferred stock and preferred equity-linked securities may be sold directly or indirectly through underwriters or dealers in connection with an acquisition similar to that described for common stock above.

C. Long-Term Debt

SCANA requests Commission authority during the Authorization Period to issue long-term debt securities in an aggregate principal amount outstanding at any time which, when combined with issuances of common stock (other than for benefit plans or stock purchase and dividend reinvestment plans), preferred stock, and preferred and equity-linked securities, as described above, and other than for refunding or replacement of securities where capitalization is not increased, shall not exceed \$2.2 billion.

Long-term debt securities may be comprised of bonds, notes, medium-term notes or debentures under one or more indentures (the "SCANA Indenture") or long-term indebtedness under agreements with banks or other institutional lenders. Any long-term debt security would have such designation, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, sinking fund terms, terms for conversion into any other security of SCANA and other terms and conditions as SCANA may determine at the time of issuance.

Applicants state that the maturity dates, interest rates, redemption and sinking fund provisions, tender or repurchase and conversion features, if any, with respect to the long-term securities of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding.

Borrowings from banks and other financial institutions may be unsecured and *pari passu* with debt securities issued under the SCANA Indenture and the short-term credit facilities (as described below). Applicants state that specific terms of any borrowings will continue to be determined by SCANA at the time of issuance and will comply in all regards with the parameters on financing authority in the Application.

D. Short-Term Debt

SCANA requests authority to have outstanding at any one time during the Authorization Period, up to \$500 million of short-term debt, which may include institutional borrowings, commercial paper or bid notes (all as described below) and short-term debt issued under the SCANA Indenture or otherwise. This request represents an increase of \$50 million over the authority previously granted in the Financing Orders. The authority for short-term debt is in addition to the \$2.2

billion requested for common stock, preferred stock and preferred and equity-linked securities and long-term debt as described above.

SCANA requests authority to sell commercial paper, from time to time, in established domestic commercial paper markets. Such commercial paper would be sold to dealers at the discount rate or the coupon rate per annum prevailing at the date of issuance for commercial paper of comparable quality and maturities sold to commercial paper dealers generally. Applicants expect that the dealers acquiring commercial paper from SCANA will reoffer such paper at a discount to corporate and institutional investors. Institutional investors are expected to include commercial banks, insurance companies, pension funds, investment trusts, foundations, colleges and universities and finance companies.

SCANA further requests authority to, without counting against the \$500 million limit, maintain back-up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the amount of authorized commercial paper.

Credit lines may be set up for use by SCANA for general corporate purposes in addition to credit lines to support commercial paper as described in this subsection. SCANA will borrow and repay under such lines of credit, from time to time, as it is deemed appropriate or necessary.

E. Financing Risk Management Devices

SCANA requests authority to enter into, perform, purchase and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars and forward agreements. Hedges may also include issuance of structured notes (*i.e.*, a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or U.S. governmental agency (*e.g.*, Federal National Mortgage Association) obligations or LIBOR based swap instruments (collectively referred to as "Hedge Instruments"). Applicants contend that the transactions would be for fixed periods and stated notional amounts. SCANA would employ interest rate derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued under this authority or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed rate debt, (ii) converting fixed rate debt