

to variable rate debt and (iii) limiting the impact of changes in interest rates resulting from variable rate debt. In no case will the notional principal amount of any interest rate swap exceed the greater of the face value of the underlying debt instrument or the present market value of the underlying debt instrument and related interest rate exposure. Transactions will be entered into for a fixed or determinable period. Thus, SCANA will not engage in speculative transactions unassociated with its existing outstanding debt and financing needs and activities. SCANA will only enter into agreements with counterparties ("Approved Counterparties") whose senior debt ratings, as published by a national recognized rating agency, are greater than or equal to "BBB," or an equivalent rating.

In addition, SCANA requests authority to enter into interest rate hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to certain limitations and restrictions. Such Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (i) a forward sale of exchange-traded Hedge Instruments (a "Forward Sale"), (ii) the purchase of put options on Hedge Instruments (a "Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options Hedge Instruments (a "Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of Hedge Instruments, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges. Anticipatory Hedges may be executed on-exchange ("On-Exchange Trades") with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade ("CBOT"), the opening of over-the-counter positions with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. SCANA or the appropriate Subsidiary will determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. SCANA or the appropriate Subsidiary may decide to lock in interest rates and/or limit its exposure to interest rate increases.

SCANA states that it will comply with Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting

for Derivative Instruments and Hedging Activities"), SFAS 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or such other standards relating to accounting for derivative transactions as are adopted and implemented by the FASB. Applicants commit that the Hedge Instruments and Anticipatory Hedges will qualify for hedge accounting treatment under the current FASB standards in effect and as determined at the date such Hedge Instruments or Anticipatory Hedges are entered into.

IV. Utility Subsidiary Financing

Applicants state that the financings by the Utility Subsidiaries for which authority is requested in the Application are outside the rule 52 exemption. Each Utility Subsidiary requests authority to issue securities not exempt under rule 52 for refunding or replacement of securities where its capitalization is not increased from that in place.

A. SCE&G and PSNC Short-Term Debt

SCE&G requests authority to issue short-term debt, including commercial paper and credit lines, in the aggregate amount of \$450 million to be outstanding at any one time during the Authorization Period. Authority is requested for PSNC to issue short-term debt, including commercial paper and credit lines, in the aggregate amount of \$300 million to be outstanding at any one time during the Authorization Period. These requests represent an increase of \$150 million and \$100, respectively, over the authority granted in the Financing Orders with respect to SCE&G and PSNC.

SCE&G and PSNC request authority to sell commercial paper, from time to time, in established domestic commercial paper markets in a manner similar to SCANA as discussed above. SCE&G and PSNC may, without counting against the limit set forth above, further maintain back up lines of credit in an aggregate amount not to exceed the amount of authorized commercial paper. Credit lines may be set up for use by SCE&G and PSNC for general corporate purposes in addition to credit lines to support commercial paper as described in this subsection. SCE&G and PSNC will borrow and repay under such lines of credit, from time to time, as it is deemed appropriate or necessary. Subject to the limitations described above, SCE&G and PSNC may engage in other types of short-term financings as it may deem appropriate in light of its needs and market conditions at the time of issuance.

B. PSNC Long-Term Debt

PSNC requests authority to issue up to \$300 million in long-term debt securities during the Authorization Period. This request represents a decrease of \$150 million from the authority granted in the Financing Orders.

C. GENCO Long-Term Debt

GENCO requests authority to issue up to \$100 million in long-term debt securities during the Authorization Period. SCANA expects to make additional exempt capital contributions to GENCO under rule 45. In addition thereto, authority is requested for GENCO to issue debt obligations to effectuate the refunding (including reasonable costs and redemption premiums incurred in connection with such refunding) of its now or hereafter outstanding debt obligations including pollution control loan obligations to achieve lower costs of money, extend maturity or for other proper corporate purposes. At June 30, 2002, GENCO had \$77.4 million of long-term debt obligations outstanding. The amounts issued under this authority will not count against the financing limit described above provided for in the Application to the extent they will exclusively constitute refunding transactions that will not increase total capitalization of GENCO.

D. Financing Risk Management Devices

To the extent not exempt under rule 52, the Utility Subsidiaries also request authority to enter into interest rate risk management transactions (hedge instruments) and Anticipatory Hedges of the same type and under the same conditions as are requested above by SCANA.

V. Guarantees, Intrasystem Advances and Intrasystem Money Pool

A. Guarantees and Intrasystem Advances

SCANA requests continued authority to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of its Subsidiaries ("Guarantees") as may be appropriate or necessary to enable such Subsidiaries to carry on in the ordinary course of their respective businesses, in an aggregate principal amount not to exceed \$600 million outstanding at any one time (not taking into account obligations exempt under rule 45) ("Guarantee Limitation"). Included in this amount are guarantees and other credit support mechanisms by SCANA in favor of its Subsidiaries which were