

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

**(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2003

OR

**() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

<u>Commission File Number</u>	<u>Registrant, State of Incorporation, Address and Telephone Number</u>	<u>I.R.S. Employer Identification No.</u>
1-8809	SCANA Corporation (a South Carolina Corporation) 1426 Main Street, Columbia, South Carolina 29201 (803) 217-9000	57-0784499
1-3375	South Carolina Electric & Gas Company (a South Carolina Corporation) 1426 Main Street, Columbia, South Carolina 29201 (803) 217-9000	57-0248695
1-11429	Public Service Company of North Carolina, Incorporated (a South Carolina Corporation) 1426 Main Street, Columbia, South Carolina 29201 (803) 217-9000	56-2128483

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. SCANA Corporation Yes No South Carolina Electric & Gas Company Yes No Public Service Company of North Carolina, Incorporated Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). SCANA Corporation Yes No South Carolina Electric & Gas Company Yes No Public Service Company of North Carolina, Incorporated Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Registrant</u>	<u>Description of Common Stock</u>	<u>Shares Outstanding at July 31, 2003</u>
SCANA Corporation	Without Par Value	110,922,883
South Carolina Electric & Gas Company	\$4.50 Par Value	40,296,147 ^(a)
Public Service Company of North Carolina, Incorporated	Without Par Value	1,000 ^(a)

^(a)Held beneficially and of record by SCANA Corporation.

This combined Form 10-Q is separately filed by SCANA Corporation, South Carolina Electric & Gas Company and Public Service Company of North Carolina, Incorporated. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

Public Service Company of North Carolina, Incorporated meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and therefore is filing this form with the reduced disclosure format allowed under General Instruction H(2).

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**SCANA CORPORATION
FINANCIAL SECTION**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCANA CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

Millions of dollars	June 30, 2003	December 31, 2002
Assets		
Utility Plant:		
Electric	\$5,361	\$5,228
Gas	1,631	1,593
Other	197	184
Total	7,189	7,005
Accumulated depreciation and amortization	(2,577)	(2,476)
Total	4,612	4,529
Construction work in progress	914	677
Nuclear fuel, net of accumulated amortization	28	38
Acquisition adjustments, net of accumulated amortization	230	230
Utility Plant, Net	5,784	5,474
Nonutility Property, Net of Accumulated Depreciation	93	95
Investments	220	231
Nonutility Property and Investments, Net	313	326
Current Assets:		
Cash and temporary investments	220	374
Receivables, net of allowance for uncollectible accounts of \$21 and \$17	377	478
Receivables – affiliated companies	15	8
Inventories (at average cost):		
Fuel	147	166
Materials and supplies	58	61
Emission allowances	9	10
Prepayments	44	40
Deferred income taxes, net	8	-
Total Current Assets	878	1,137
Deferred Debits:		
Environmental	21	27
Nuclear plant decommissioning	-	87
Assets held in trust, net-nuclear decommissioning	36	-
Pension asset, net	266	265
Other regulatory assets	331	292
Other	167	146
Total Deferred Debits	821	817
Total	\$7,796	\$7,754

Millions of dollars	June 30, 2003	December 31, 2002
Capitalization and Liabilities		
Stockholders' Investment:		
Common equity	\$2,258	\$2,177
Preferred stock (Not subject to purchase or sinking funds)	106	106
Total Stockholders' Investment	2,364	2,283
Preferred Stock, net (Subject to purchase or sinking funds)	9	9
SCE&G-Obligated Mandatorily Redeemable Preferred		
Securities of SCE&G's Subsidiary Trust, SCE&G Trust I, holding solely \$50 million principal amount of 7.55%		
Junior Subordinated Debentures of SCE&G	-	50
Long-Term Debt, net	2,930	2,834
Total Capitalization	5,303	5,176
Current Liabilities:		
Short-term borrowings	212	209
Current portion of long-term debt	403	413
Accounts payable	222	354
Accounts payable – affiliated companies	13	8
Customer deposits	39	39
Taxes accrued	88	78
Interest accrued	55	52
Dividends declared	41	39
Deferred income taxes, net	-	4
Other	52	77
Total Current Liabilities	1,125	1,273
Deferred Credits:		
Deferred income taxes, net	754	747
Deferred investment tax credits	115	118
Reserve for nuclear plant decommissioning	-	87
Asset retirement obligation - nuclear plant	114	-
Postretirement benefits	136	131
Regulatory liabilities	137	114
Other	112	108
Total Deferred Credits	1,368	1,305
Total	\$7,796	\$7,754

See Notes to Condensed Consolidated Financial Statements.

SCANA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Millions of dollars, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Operating Revenues:				
Electric	\$356	\$349	\$692	\$651
Gas – regulated	193	155	620	451
Gas – nonregulated	177	145	483	369
Total Operating Revenues	726	649	1,795	1,471
Operating Expenses:				
Fuel used in electric generation	80	92	161	166
Purchased power	16	16	26	21
Gas purchased for resale	293	234	865	613
Other operation and maintenance	141	131	285	258
Depreciation and amortization	60	55	120	108
Other taxes	36	32	70	63
Total Operating Expenses	626	560	1,527	1,229
Operating Income	100	89	268	242
Other Income:				
Other income, including allowance for equity funds used during construction of \$5, \$6, \$9 and \$13	17	20	33	37
Gain on sale of investments and assets	56	15	56	31
Impairment of investments	(7)	(11)	(7)	(255)
Total Other Income (Expense)	66	24	82	(187)
Income Before Interest Charges, Income Taxes, Preferred Stock Dividends and Cumulative Effect of Accounting Change	166	113	350	55
Interest Charges, Net of Allowance for Borrowed Funds Used During Construction of \$2, \$3, \$5 and \$7	51	51	102	102
Dividend Requirement of SCE&G - Obligated Mandatorily Redeemable Preferred Securities	1	1	2	2
Income (Loss) Before Income Taxes, Preferred Stock Dividends and Cumulative Effect of Accounting Change	114	61	246	(49)
Income Tax Expense (Benefit)	38	19	84	(21)
Income (Loss) Before Preferred Stock Dividends and Cumulative Effect of Accounting Change	76	42	162	(28)
Cash Dividends on Preferred Stock of Subsidiary (At stated rates)	2	2	4	4
Income (Loss) Before Cumulative Effect of Accounting Change Cumulative Effect of Accounting Change, net of taxes	74	40	158	(32)
	-	-	-	(230)
Net Income (Loss)	\$74	\$40	\$158	\$(262)
Basic and Diluted Earnings (Loss) Per Share of Common Stock:				
Before Cumulative Effect of Accounting Change	\$.67	\$.38	\$1.42	\$(.30)
Cumulative Effect of Accounting Change, Net of Taxes	-	-	-	(2.20)
Basic and Diluted Earnings (Loss) Per Share	\$.67	\$.38	\$1.42	\$(2.50)
Weighted Average Shares Outstanding (millions)	110.8	104.7	110.8	104.7

See Notes to Condensed Consolidated Financial Statements.

SCANA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Millions of dollars	Six Months Ended June 30,	
	2003	2002
Cash Flows From Operating Activities:		
Net income (loss)	\$158	\$(262)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Cumulative effect of accounting change, net of taxes	-	230
Depreciation and amortization	125	113
Amortization of nuclear fuel	12	7
Gain on sale of investments and assets	(56)	(31)
Hedging activities	(3)	39
Impairment on investments	7	255
Allowance for funds used during construction	(14)	(20)
Over (under) collection, fuel adjustment clauses	21	(21)
Changes in certain assets and liabilities:		
(Increase) decrease in receivables, net	94	44
(Increase) decrease in inventories	23	25
(Increase) decrease in prepayments	(4)	(10)
(Increase) decrease in pension asset	(1)	(13)
(Increase) decrease in other regulatory assets	(17)	(5)
Increase (decrease) in deferred income taxes, net	(4)	(136)
Increase (decrease) in regulatory liabilities	21	17
Increase (decrease) in postretirement benefits	5	5
Increase (decrease) in accounts payable	(127)	(38)
Increase (decrease) in taxes accrued	10	(43)
Increase (decrease) in interest accrued	3	11
Changes in other assets	(4)	8-
Changes in other liabilities	(7)	13
Net Cash Provided From Operating Activities	242	188
Cash Flows From Investing Activities:		
Utility property additions and construction expenditures, net of AFC	(383)	(269)
Proceeds from sale of investments and assets	65	336
Increase in nonutility property	(4)	(7)
Investments in affiliates	(8)	(20)
Net Cash Provided From (Used For) Investing Activities	(327)	40
Cash Flows From Financing Activities:		
Proceeds:		
Issuance of First Mortgage Bonds	495	295
Issuance of notes and loans	2	397
Issuance of common stock upon exercise of stock options	2	-
Repayments:		
Mortgage bonds	(250)	(104)
Notes and loans	(171)	(605)
SCE&G Trust I Preferred Securities	(50)	-
Payment of deferred financing costs	(21)	-
Dividends and distributions:		
Common stock	(75)	(66)
Preferred stock	(4)	(4)
Short-term borrowings, net	3	48
Net Cash Used For Financing Activities	(69)	(39)
Net Increase (Decrease) In Cash and Temporary Investments	(154)	189
Cash and Temporary Investments, January 1	374	192
Cash and Temporary Investments, June 30	\$220	\$381
Supplemental Cash Flow Information:		
Cash paid for - Interest (net of capitalized interest of \$5 and \$7	\$100	\$89
- Income taxes	24	105
Noncash Investing and Financing Activities:		
Unrealized gain (loss) on securities available for sale, net of tax	-	29

See Notes to Condensed Consolidated Financial Statements.

SCANA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

Millions of dollars	Three Months Ended		Six Months Ended	
	2003	2002	2003	2002
Net Income (Loss)	\$74	\$40	\$158	\$(262)
Other Comprehensive Income (Loss), net of tax:				
Unrealized gains (losses) on securities available for sale	-	(64)	-	29
Unrealized gains (losses) on hedging activities	-	3	(2)	27
Total Comprehensive Income (Loss)⁽¹⁾	\$74	\$(21)	\$156	\$(206)

⁽¹⁾ Accumulated other comprehensive income (loss) of the Company totaled \$(0.4) million and \$1.0 million as of June 30, 2003 and December 31, 2002, respectively.

See Notes to Condensed Consolidated Financial Statements.

SCANA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003
(Unaudited)

The following notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in SCANA Corporation's (the Company) Annual Report on Form 10-K for the year ended December 31, 2002. These are interim financial statements, and due to the seasonality of the Company's business, the amounts reported in the Condensed Consolidated Statements of Operations are not necessarily indicative of amounts expected for the year. In the opinion of management, the information furnished herein reflects all adjustments, all of a normal recurring nature, which are necessary for a fair statement of the results for the interim periods reported.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 requires cost-based rate-regulated utilities to recognize in their financial statements revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result the Company has recorded, as of June 30, 2003, approximately \$352 million and \$137 million of regulatory assets (including environmental) and liabilities, respectively, as shown below.

Millions of dollars	June 30, 2003	December 31, 2002
Accumulated deferred income taxes, net	\$95	\$95
Under-collections – electric fuel and gas cost adjustment clauses	39	61
Deferred environmental remediation costs	21	27
Asset retirement obligation – nuclear decommissioning	51	-
Deferred non-conventional fuel tax benefits, net	(52)	(40)
Storm damage reserve	(34)	(32)
Franchise agreements	64	65
Other	31	29
Total	\$215	\$205

Accumulated deferred income tax liabilities arising from utility operations that have not been included in customer rates are recorded as a regulatory asset. Accumulated deferred income tax assets arising from deferred investment tax credits are recorded as a regulatory liability.

Under-collections - fuel adjustment clauses represent amounts under-collected from customers pursuant to the fuel adjustment clause (electric customers) or gas cost adjustment clause (gas customers) as approved by the Public Service Commission of South Carolina (SCPSC) or North Carolina Utilities Commission (NCUC) during annual hearings.

Deferred environmental remediation costs represent costs associated with the assessment and clean up of manufactured gas plant (MGP) sites currently or formerly owned by the Company. Costs incurred at sites owned by South Carolina Electric & Gas Company (SCE&G) are being recovered through rates, and such costs, totaling approximately \$12 million, are expected to be fully recovered by the end of 2005. A portion of the costs incurred at sites owned by Public Service Company of North Carolina, Incorporated (PSNC Energy) is also being recovered through rates, and management believes the remaining costs of approximately \$7.6 million will be recoverable in the future. Amounts incurred to date that have not been recovered through gas rates at PSNC Energy are approximately \$1.3 million. (See Note 3.)

Asset retirement obligation— nuclear decommissioning represents the regulatory asset associated with the legal obligation of decommissioning and dismantling V. C. Summer Nuclear Station (Summer Station) as required in SFAS 143, “Accounting for Asset Retirement Obligations.” (See Note 1B).

Deferred non-conventional fuel tax benefits represent the deferral of partnership losses and other expenses, offset by the accumulated deferred income tax credits associated with two SCE&G partnerships involved in converting coal to alternate fuel. Under a plan approved by the SCPSC, any net tax credits generated from non-conventional fuel produced and consumed by SCE&G and ultimately passed through to SCE&G, net of partnership losses and other expenses, have been and will be deferred and will be applied to offset the capital costs of projects required to comply with legislative or regulatory actions.

The storm damage reserve represents an SCPSC approved reserve account capped at \$50 million to be collected through rates over a ten-year period. The accumulated storm damage reserve can be applied to offset actual storm damage costs in excess of \$2.5 million in a calendar year.

Franchise agreements represent costs associated with the 30-year electric and gas franchise agreements with the cities of Charleston and Columbia, South Carolina. These amounts are not earning a return, but are being amortized through cost of service over the next 15 years.

The SCPSC and the NCUC have reviewed and approved through specific orders most of the items shown as regulatory assets. Other items represent costs which are not yet approved for recovery by the SCPSC or the NCUC. In recording these costs as regulatory assets, management believes the costs will be allowable under existing rate-making concepts that are embodied in rate orders received by the Company. However, ultimate recovery is subject to SCPSC or NCUC approval. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company’s results of operations in the period the write-off would be recorded, but it is not expected that cash flows or financial position would be materially adversely affected.

B. New Accounting Standards

The Company adopted SFAS 142, “Goodwill and Other Intangible Assets,” effective January 1, 2002. In connection with this implementation, the Company performed a valuation analysis of its investment in South Carolina Pipeline Corporation (SCPC) using a discounted cash flow analysis and of PSNC Energy using an independent appraisal. The analysis of the investment in PSNC Energy indicated that the carrying amount of PSNC Energy’s acquisition adjustment exceeded its fair value by approximately \$230 million, or \$2.20 loss per share. The resulting impairment charge is reflected on the Condensed Consolidated Statement of Operations as the cumulative effect of an accounting change. SFAS 142 requires that an impairment evaluation be performed annually and at the same time each year. The Company performed its annual evaluation as of January 1, 2003 and no further impairment was indicated.

The Company adopted SFAS 143 effective January 1, 2003. SFAS 143 applies to legal obligations associated with the retirement of tangible long-lived assets (ARO) and requires the Company to recognize, as a liability, the fair value of an ARO in the period in which it is incurred and to accrete the liability to its present value in future periods. As of December 31, 2002, prior to the adoption of SFAS 143, the Company carried deferred debits and deferred credits each totaling approximately \$87 million related to the decommissioning and dismantling of Summer Station and the funding thereof. Effective January 1, 2003, in connection with the measurement of the ARO upon the adoption of SFAS 143, the amounts reflected within these regulatory assets and liabilities were recharacterized.

The following table presents such recharacterized amounts related to the decommissioning obligation and the funding thereof as recorded in the condensed consolidated balance sheet as of June 30, 2003, and the pro forma amounts that would have been recorded as of December 31, 2002 had SFAS 143 been adopted at the beginning of 2002.

<u>Millions of dollars</u>	June 30,	As of	
	2003	December 31,	December 31,
	<u>Actual</u>	<u>Proforma</u>	<u>Proforma</u>
Assets:			
Within electric plant	\$40	\$40	\$40
Within accumulated depreciation	(13)	(13)	(12)
Assets held in trust (net) - nuclear decommissioning	36	39	35
Within other regulatory assets	51	45	42
Total	<u>\$114</u>	<u>\$111</u>	<u>\$105</u>
Liabilities:			
Asset retirement obligation - nuclear plant decommissioning	<u>\$114</u>	<u>\$111</u>	<u>\$105</u>

Proforma net income (loss) and earnings (loss) per share for periods prior to the adoption of SFAS 143 would not differ from amounts actually recorded during these periods.

In addition to the ARO for Summer Station, the Company believes that there is legal uncertainty as to the existence of environmental obligations associated with certain transmission and distribution properties. The Company believes that any ARO related to this type of property would be insignificant and, due to the indeterminate life of the related assets, an ARO could not be reasonably estimated.

The Company adopted SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," effective January 1, 2003. The provisions of SFAS 145, among other things, discontinue treatment of gains or losses from the early extinguishment of debt as extraordinary items unless such early extinguishment meets the criteria of Accounting Principles Board Opinion (APB) 30. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 145.

The Company adopted SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective January 1, 2003. This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 146.

The Company adopted the disclosure provisions of SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," effective January 1, 2003. SFAS 148 requires prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 148.

SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued in April 2003. SFAS 149 amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 is not expected to have a material impact on the Company's results of operations, cash flows or financial position.

SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued in May 2003. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 150.

C. Equity Compensation Plan

Under the SCANA Corporation Long-Term Equity Compensation Plan (the “Plan”), certain employees and non-employee directors may receive incentive and nonqualified stock options and other forms of equity compensation. The Company accounts for this equity-based compensation using the intrinsic value method under APB 25, “Accounting for Stock Issued to Employees” and related interpretations. In addition, the Company has adopted the disclosure provisions of SFAS 123, “Accounting for Stock-Based Compensation” and, effective January 1, 2003, the disclosure provisions of SFAS 148, “Accounting for Stock-Based Compensation-Transition and Disclosure.” At June 30, 2003, options issued and outstanding under the Plan totaled approximately 1.6 million.

All options were granted with exercise prices equal to the fair market value of the Company’s stock on the respective grant dates; therefore, no compensation expense has been recognized in connection with such grants. If the Company had determined compensation expense for the issuance of options based on the fair value method described in SFAS 123, pro forma net income and earnings (loss) per share would have been as presented below:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income (loss) – as reported (millions)	\$74	\$40	\$158	\$(262)
Net income (loss) – pro forma (millions)	\$73	\$40	\$157	\$(262)
Basic and diluted earnings (loss) per share – as reported	\$.67	\$.38	\$1.42	\$(2.50)
Basic and diluted earnings (loss) per share – pro forma	\$.66	\$.38	\$1.41	\$(2.50)

D. Earnings (Loss) Per Share

Earnings (loss) per share amounts have been computed in accordance with SFAS 128, “Earnings Per Share.” Under SFAS 128, basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share are computed as net income divided by the weighted average number of shares of common stock outstanding during the period after giving effect to securities considered to be dilutive potential common stock. The Company uses the treasury stock method in determining total dilutive potential common stock.

E. Affiliated Transactions

SCE&G holds two equity-method investments in partnerships involved in converting coal to non-conventional fuel. SCE&G had recorded as receivables from affiliated companies for these investments approximately \$15.5 million and \$8.5 million at June 30, 2003 and December 31, 2002, respectively. SCE&G had recorded as payables to affiliated companies for these investments approximately \$13.2 million and \$8.0 million at June 30, 2003 and December 31, 2002, respectively.

F. Reclassifications

Certain amounts from prior periods have been reclassified to conform with the presentation adopted for 2003.

2. ACCOUNTING CHANGE

As a result of the January 1, 2002 adoption of SFAS 142, the Company recorded a \$230 million impairment charge related to the acquisition adjustment recorded in connection with its investment in PSNC Energy. This charge is reflected on the Condensed Consolidated Statements of Operations as the cumulative effect of an accounting change. See additional information at Note 1B.

3. RATE AND OTHER REGULATORY MATTERS

South Carolina Electric & Gas Company (SCE&G)

Electric

In January 2003 the SCPSC issued an order granting SCE&G a composite increase in retail electric rates of approximately 5.8% which is designed to produce additional annual revenues of approximately \$70.7 million based on a test year calculation. The SCPSC authorized a return on common equity of 12.45%. The new rates were effective for service rendered on and after February 1, 2003. As a part of the order, the SCPSC extended through 2005 its approval of the accelerated capital recovery plan for SCE&G's Cope Generating Station. Under the plan, based on the level of revenues and operating expenses, SCE&G may increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates, not to exceed \$36 million annually, without additional approval of the SCPSC. Any unused portion of the \$36 million in any given year may be carried forward for possible use in the following year.

In May 2002 the SCPSC issued an order approving SCE&G's request to increase the fuel component of rates charged to electric customers from 1.579 cents per KWh to 1.722 cents per KWh. The increase reflects higher fuel costs projected for the period May 2002 through April 2003. The increase also provided continued recovery for under-collected actual fuel costs through April 2001, including short-term purchased power costs necessitated by outages at two of SCE&G's base load generating plants in winter 2000-2001. The new rates were effective as of the first billing cycle in May 2002. The Consumer Advocate of South Carolina appealed to the South Carolina Circuit Court (Circuit Court) the portion of the SCPSC's order related to the recovery of certain purchased power costs. The appeal is still pending.

In January 2003, in conjunction with the approval of the above retail rate increase, the SCPSC approved SCE&G's request to reduce the fuel component to 1.678 cents per KWh. This reduction was effective for service rendered on and after February 1, 2003. In April 2003 the SCPSC issued an order approving SCE&G's request to maintain the fuel cost component of rates at 1.678 cents per KWh, effective May 1, 2003. The SCPSC also reaffirmed the prudence of SCE&G's purchasing practices and recognized the efficiency of SCE&G's electric generating plants; however, it deferred action on the recovery of certain purchased power costs pending the resolution of the above appeal to the Circuit Court of the SCPSC's May 2002 order.

Gas

SCE&G's rates are established using a cost of gas component approved by the SCPSC which may be modified periodically to reflect changes in the price of natural gas purchased by SCE&G.

SCE&G's cost of gas component in effect during the period January 1, 2002 through June 30, 2003 was as follows:

<u>Rate Per Therm</u>	<u>Effective Date</u>	<u>Rate Per Therm</u>	<u>Effective Date</u>
\$.728	January-February 2003	\$.596	January-October 2002
\$.928	March-June 2003	\$.728	November-December 2002

The SCPSC allows SCE&G to recover through a billing surcharge to its gas customers the costs of environmental cleanup at the sites of former MGPs. The billing surcharge is subject to annual review and provides for the recovery of substantially all actual and projected site assessment and cleanup costs and environmental claims settlements for SCE&G's gas operations that had previously been recorded in deferred debits. In October 2002, as a result of the annual review, the SCPSC reaffirmed SCE&G's billing surcharge of 3.0 cents per therm, which is intended to provide for the recovery, prior to the end of the year 2005, of the balance remaining at June 30, 2003 of \$12.3 million.

Public Service Company of North Carolina, Incorporated (PSNC Energy)

PSNC Energy's rates are established using a benchmark cost of gas approved by the NCUC, which may be modified periodically to reflect changes in the market price of natural gas. PSNC Energy revises its tariffs with the NCUC as necessary to track these changes and accounts for any over- or under-collections of the delivered cost of gas in its deferred accounts for subsequent rate consideration. The NCUC reviews PSNC Energy's gas purchasing practices annually.

PSNC Energy's benchmark cost of gas in effect during the period January 1, 2002 through June 30, 2003 was as follows:

<u>Rate Per Therm</u>	<u>Effective Date</u>	<u>Rate Per Therm</u>	<u>Effective Date</u>
\$.460	January-February 2003	\$.300	January 2002
\$.595	March 2003	\$.215	February-June 2002
\$.725	April-June 2003	\$.350	July-October 2002
		\$.410	November-December 2002

On April 24, 2003 the NCUC issued an order in PSNC Energy's 2002 Annual Prudence Review. The NCUC determined that PSNC Energy's gas costs during the 12-month review period ended March 31, 2002 were reasonable and prudently incurred. The NCUC also authorized new temporary rate decrements to refund certain balances in deferred accounts.

On June 2, 2003 PSNC Energy filed testimony in the 2003 Annual Prudence Review based on the 12 months ended March 31, 2003. The NCUC will hold a hearing on August 12, 2003 to review PSNC Energy's filing.

A state expansion fund, established by the North Carolina General Assembly and funded by refunds from PSNC Energy's interstate pipeline transporters, provides financing for expansion into areas that otherwise would not be economically feasible to serve. In June 2000 the NCUC approved PSNC Energy's requests for disbursement of up to \$28.4 million from PSNC Energy's expansion fund to extend natural gas service to Madison, Jackson and Swain Counties in western North Carolina. PSNC Energy estimates that the cost of this project will be approximately \$31.4 million. The Madison County and Jackson County portions of the project were completed in 2002, and the Swain County portion is expected to be completed in the spring of 2004. Through June 30, 2003 approximately \$20.0 million had been spent on this project.

In December 1999 the NCUC issued an order approving SCANA's acquisition of PSNC Energy. As specified in the order, PSNC Energy agreed to a moratorium on general rate cases until August 2005. General rate relief can be obtained during this period to recover costs associated with material adverse governmental actions and force majeure events.

South Carolina Pipeline Corporation (SCPC)

SCPC's purchased gas adjustment for cost recovery and gas purchasing policies are reviewed annually by the SCPSC. In an order dated August 5, 2003 the SCPSC found that for the period April 2002 through December 2002 SCPC's gas purchasing policies and practices were prudent and SCPC properly adhered to the gas cost recovery provisions of its gas tariff.

4. LONG-TERM DEBT

On January 13, 2003 SCANA retired at maturity \$60 million of 6.05% medium-term notes.

On January 23, 2003 SCE&G issued \$200 million First Mortgage Bonds having an annual interest rate of 5.80% and maturing on January 15, 2033. The proceeds from the sale of these bonds were used to reduce short-term debt and for general corporate purposes.

On April 4, 2003 the Company redeemed \$100 million of floating rate medium-term notes that were set to mature August 8, 2003. The notes were bearing interest at a rate of 2.215% when redeemed.

On May 21, 2003 SCE&G issued \$300 million First Mortgage Bonds having an annual interest rate of 5.30% and maturing on May 15, 2033. SCE&G used the net proceeds from the sale of these bonds and certain other SCE&G funds to redeem its \$100 million principal amount of 7.625% First Mortgage Bonds due June 1, 2023, its \$150 million principal amount of 7.50% First Mortgage Bonds due June 15, 2023 and its Junior Subordinated Debentures which effected the redemption of \$50 million aggregate amount of 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I.

5. RETAINED EARNINGS

The Company's Restated Articles of Incorporation do not limit the dividends that may be paid on its common stock. However, the Restated Articles of Incorporation of SCE&G contain provisions that, under certain circumstances, could limit the payment of cash dividends on its common stock. In addition, with respect to hydroelectric projects, the Federal Power Act requires the appropriation of a portion of certain earnings therefrom. At June 30, 2003 approximately \$42.4 million of retained earnings were restricted by this requirement as to payment of cash dividends on SCE&G's common stock.

6. FINANCIAL INSTRUMENTS

Investments

Certain of the Company's subsidiaries hold investments in marketable securities, some of which are subject to SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," mark-to-market accounting and some of which are considered cost basis investments for which determination of fair value historically has been considered impracticable. Equity holdings subject to SFAS 115 are categorized as "available for sale" and are carried at quoted market prices, with any unrealized gains and losses credited or charged to other comprehensive income (loss) within common equity on the Company's balance sheet. Debt securities and preferred stock with significant debt characteristics are categorized as "held to maturity" and are carried at amortized cost. When indicated, and in accordance with its stated accounting policy, the Company performs periodic assessments of whether any decline in the value of these securities to amounts below the Company's cost basis is other than temporary. When other than temporary declines occur, write-downs are recorded through operations, and new (lower) cost bases are established.

Telecommunications Investments

At June 30, 2003 SCANA Communications Holdings, Inc. (SCH), a wholly owned, indirect subsidiary of the Company, held investments in the equity and debt securities of the following companies in the amounts noted in the table below.

Investee	Securities	Basis (Millions of dollars)
Magnolia Holding	6.2 million shares nonvoting common stock	\$8.3
ITC^DeltaCom	566.0 thousand shares of common stock	1.1
	154.2 thousand shares series A 8% preferred stock, convertible in 2005 into 2.7 million shares of common stock	12.9
	Warrants to purchase 506.9 thousand shares of common stock	1.1
Knology	7.2 million shares series A preferred stock, convertible into 7.5 million shares of common stock	14.0
	14.8 million shares series C preferred stock, convertible into 14.8 million shares of common stock	27.8
	21.7 million shares series E preferred stock, convertible into 21.7 million shares of common stock	40.6
	12% senior unsecured notes due 2009, including accrued interest	46.5

On May 9, 2003, the Company's investment in ITC Holding Company, Inc. was sold. The transaction resulted in the receipt of net after-tax cash proceeds of approximately \$46 million and the receipt of an investment interest in a newly formed entity, Magnolia Holding Company LLC (Magnolia Holding). A book gain, net of tax, of approximately \$37 million was realized upon this transaction. Magnolia Holding holds ownership interests in several Southeastern communications companies. ITC^DeltaCom, Inc. (ITC^DeltaCom) is a regional provider of telecommunications services. The common shares of ITC^DeltaCom owned by SCH have a market value of \$1.7 million. The ITC^DeltaCom preferred shares owned by SCH are classified as held to maturity due to their debt features, and the market value is not readily determinable. Knology, Inc. (Knology) is a broadband service provider of cable television, telephone and internet services. In June 2003, based upon valuation information obtained in connection with the Magnolia Holding transaction, SCH recorded impairment losses associated with the Knology investment totaling \$4.8 million, net of taxes.

Derivatives

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires the Company to recognize all derivative instruments as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. SFAS 133 further provides that changes in the fair value of derivative instruments are either recognized in earnings or reported as a component of other comprehensive income (loss), depending upon the intended use of the derivative and the resulting designation. The fair value of the derivative instruments is determined by reference to quoted market prices of listed contracts, published quotations or quotations from independent parties.

Policies and procedures and risk limits are established to control the level of market, credit, liquidity and operational and administrative risks assumed by the Company. The Company's Board of Directors has delegated to a Risk Management Committee the authority to set risk limits, establish policies and procedures for risk management and measurement, and oversee and review the risk management process and infrastructure. The Risk Management Committee, which is comprised of certain officers, including the Company's Risk Management Officer and senior officers of the Company, apprises the Board of Directors with regard to the management of risk and brings to the Board's attention any areas of concern. Written policies define the physical and financial transactions that are approved, as well as the authorization requirements and limits for transactions that are allowed.

Commodities

The Company uses derivative instruments to hedge anticipated future purchases of natural gas, which create market risks of different types. Instruments designated as cash flow hedges are used to hedge risks associated with fixed price obligations in a volatile price market and risks associated with price differentials at different delivery locations. Instruments designated as fair value hedges are used to hedge operational storage assets. The basic types of financial instruments utilized are exchange-traded instruments, such as New York Mercantile Exchange futures contracts or options, and over-the-counter instruments such as swaps, which are typically offered by energy and financial institutions.

The Company recognized gains of approximately \$5.8 million, net of tax, as a result of qualifying cash flow hedges related to nonregulated operations during the six months ended June 30, 2003. No such gains were recognized during the three months ended June 30, 2003. The Company recognized losses of approximately \$2.9 million and \$21.9 million, net of tax, as a result of qualifying cash flow hedges related to nonregulated operations during the three and six months ended June 30, 2002. These gains and losses were recorded in cost of gas. The Company estimates that most of the June 30, 2003 unrealized gain balance of \$0.5 million, net of tax, will be reclassified from accumulated other comprehensive income (loss) to earnings in 2004 and 2005 as a decrease to gas cost if market prices remain stable. As of June 30, 2003 all of the Company's cash flow hedges settle by their terms before the end of 2006.

The Company recorded option premiums of \$0.4 million and gains of \$0.3 million, net of tax, as a result of qualifying fair value hedges during the three and six months ended June 30, 2003, respectively. The premiums and gains were recorded in cost of gas. As of June 30, 2003 all of the Company's fair value hedges settle by their terms before the end of 2003.

On January 2, 2003 PSNC Energy filed a summary of its hedging program for natural gas purchases with the NCUC for informational purposes. The primary goal of the program is to reduce price volatility to firm customers. The program and any related transactions will be addressed in the NCUC's August 2003 Annual Prudence Review. Transaction fees and any gains or losses are recorded in deferred accounts for subsequent rate consideration.

SCPC's tariffs include a purchased gas adjustment (PGA) clause that provides for the recovery of actual gas costs incurred. The SCPSC has ruled that the results of SCPC's hedging activities are to be included in the PGA. As such, costs of related derivatives that SCPC utilizes to hedge its gas purchasing activities are recoverable through its weighted average cost of gas calculation. The offset to the change in fair value of these derivatives is recorded as a current asset or liability.

The Company also utilizes certain derivative instruments that do not qualify as hedges. The change in fair value of these derivatives is recorded in net income (loss), and was insignificant in the periods presented.

Interest Rates

The Company uses interest rate swap agreements to manage interest rate risk. These swap agreements provide for the Company to pay variable rate and receive fixed rate interest payments and are designated as fair value hedges of certain debt instruments. The Company may terminate a swap agreement and may replace it with a new swap also designated as a fair value hedge.

Payments received upon termination of a swap are recorded as basis adjustments to long-term debt and are amortized as reductions to interest expense over the term of the underlying debt. The fair value of interest rate swaps is recorded within other deferred debits on the balance sheet. The resulting credits serve to reflect the hedged long-term debt at its fair value. Periodic receipts or payments related to the interest rate swaps are credited or charged to interest expense as incurred.

At June 30, 2003 the estimated fair value of the Company's swaps totaled \$20.2 million related to combined notional amounts of \$337.4 million.

In anticipation of the issuance of debt, the Company also uses interest rate lock agreements to manage interest rate risks. Payments received or made upon termination of interest rate lock agreements are recorded within other deferred debits on the balance sheet and are amortized to interest expense over the term of the underlying debt. In connection with the issuance of First Mortgage Bonds in May 2003, the Company paid approximately \$11.9 million upon the termination of a treasury lock agreement.

7. COMMITMENTS AND CONTINGENCIES

Reference is made to Note 12 of Notes to Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Commitments and contingencies at June 30, 2003 include the following:

A. Lake Murray Dam Reinforcement

In October 1999 the United States Federal Energy Regulatory Commission (FERC) mandated that SCE&G reinforce its Lake Murray dam in order to comply with new federal safety standards and maintain the lake in case of an extreme earthquake. Construction for the project and related activities, which began in the third quarter of 2001 is expected to cost approximately \$275 million and be completed in 2005. Costs incurred through June 30, 2003 totaled approximately \$105 million.

B. Nuclear Insurance

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

The Price-Anderson Indemnification Act expired in August 2002, but is expected to renew with only modest changes in 2003. This has no impact on SCE&G at present due to the "grandfathered" status of existing licensees that are covered under the past act until such time as it is renewed.

SCE&G currently maintains policies (for itself and on behalf of Santee Cooper) with Nuclear Electric Insurance Limited. The policies, covering the nuclear facility for property damage, excess property damage and outage costs, permit assessments under certain conditions to cover insurer's losses. Based on the current annual premium, SCE&G's portion of the retrospective premium assessment would not exceed \$15.8 million.

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

C. Environmental

The Company maintains an environmental assessment program to identify and evaluate current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and clean up each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate solely to regulated operations.

South Carolina Electric & Gas Company

At SCE&G, site assessment and cleanup costs are deferred and amortized with recovery provided through rates. Deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled \$8.2 million at June 30, 2003. The deferral includes the estimated costs associated with the following matters.

SCE&G owns a decommissioned MGP site in the Calhoun Park area of Charleston, South Carolina. The site is currently being remediated for benzene contamination in the intermediate aquifer on surrounding properties. SCE&G anticipates that the remaining remediation activities will be completed in 2003, with certain monitoring and retreatment activities continuing until 2007. As of June 30, 2003, SCE&G has spent approximately \$18.7 million to remediate the Calhoun Park site. Total remediation costs are estimated to be \$21.2 million.

SCE&G owns three other decommissioned MGP sites in South Carolina which contain residues of by-product chemicals. Two of these sites are currently being remediated under work plans approved by DHEC. SCE&G is continuing to investigate the remaining site and is monitoring the nature and extent of residual contamination. In addition, in March 2003 SCE&G signed a consent agreement with DHEC related to a site formerly owned by SCE&G. The site contained residue material that was moved from an MGP site. The removal action for this site has been completed. SCE&G anticipates that major remediation activities for the three owned sites will be completed before 2006. SCE&G has spent approximately \$2.3 million related to all of these sites, and expects to spend an additional \$5.7 million.

Public Service Company of North Carolina, Incorporated

PSNC Energy is responsible for environmental cleanup at five sites in North Carolina on which MGP residuals are present or suspected. PSNC Energy's actual remediation costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other potentially responsible parties. PSNC Energy has recorded a liability and associated regulatory asset of \$7.6 million, which reflects the estimated remaining liability at June 30, 2003. Amounts incurred to date that have not been recovered through gas rates are approximately \$1.3 million. Management believes that all MGP cleanup costs incurred will be recoverable through gas rates.

D. Long-Term Natural Gas Contract

In 2001 a subsidiary of the Company entered into, in the ordinary course of business, a 15 year take-and-pay contract with an unaffiliated natural gas supplier to purchase 190,000 DT of natural gas per day beginning in the spring of 2004. In December 2002, as a result of the failure of the supplier and its guarantor to meet contractual obligations related to credit support provisions, the subsidiary terminated the contract. A hearing under the binding arbitration provisions of the contract is scheduled for September 2003. In initial pleadings for the hearing, the supplier demanded payment of at least \$134 million in damages from the subsidiary; conversely, the subsidiary demanded payment of no less than \$154 million in damages from the supplier. The Company is confident of the propriety of its actions, and the Company will vigorously pursue its position in the arbitration proceedings. The Company further believes that the resolution of these claims will not have a material adverse impact on its results of operations, cash flows or financial condition.

8. SEGMENT OF BUSINESS INFORMATION

The Company's reportable segments are listed in the following table. The Company uses operating income to measure profitability for its regulated operations. Therefore, net income is not allocated to the Electric Operations, Gas Distribution and Gas Transmission segments. The Company uses net income to measure profitability for its Retail Gas Marketing and Energy Marketing segments. Accumulated depreciation is not assignable to Electric Operations and Gas Distribution segments; therefore, it is reflected as an adjustment to arrive at the consolidated total assets. Gas Distribution is comprised of the local distribution operations of SCE&G and PSNC Energy which meet SFAS 131 criteria for aggregation.

Disclosure of Reportable Segments
(Millions of dollars)

Three Months Ended June 30, 2003	External Revenue	Intersegment Revenue	Operating Income (Loss)	Net Income (Loss)	Segment Assets
Electric Operations	\$356	\$1	\$97	n/a	\$6,224
Gas Distribution	146	-	(6)	n/a	1,439
Gas Transmission	47	64	3	n/a	331
Retail Gas Marketing	77	-	n/a	\$3	78
Energy Marketing	100	-	n/a	-	50
Telecommunications Investments	-	-	n/a	32	183
All Other	-	72	-	(1)	368
Adjustments/Eliminations	-	(137)	6	40	(877)
Consolidated Total	\$726	\$-	\$100	\$74	\$7,796

Six Months Ended June 30, 2003	External Revenue	Intersegment Revenue	Operating Income	Net Income (Loss)	Segment Assets
Electric Operations	\$692	\$3	\$181	n/a	\$6,224
Gas Distribution	489	-	55	n/a	1,439
Gas Transmission	131	172	8	n/a	331
Retail Gas Marketing	260	-	n/a	\$17	78
Energy Marketing	223	-	n/a	(2)	50
Telecommunications Investments	-	-	n/a	33	183
All Other	-	139	-	(3)	368
Adjustments/Eliminations	-	(314)	24	113	(877)
Consolidated Total	\$1,795	\$-	\$268	\$158	\$7,796

Three Months Ended June 30, 2002	External Revenue	Intersegment Revenue	Operating Income (Loss)	Net Income (Loss)	Segment Assets
Electric Operations	\$349	\$145	\$86	n/a	\$5,609
Gas Distribution	102	17	(2)	n/a	1,626
Gas Transmission	53	58	6	n/a	290
Retail Gas Marketing	62	-	n/a	\$1	63
Energy Marketing	83	-	n/a	(2)	64
Telecommunications Investments	-	-	n/a	(3)	307
All Other	-	1	-	4	536
Adjustments/Eliminations	-	(221)	(1)	40	(827)
Consolidated Total	\$649	\$-	\$89	\$40	\$7,668

Six Months Ended June 30, 2002	External Revenue	Intersegment Revenue	Operating Income (Loss)	Net Income (Loss)	Segment Assets
Electric Operations	\$651	\$293	\$174	n/a	\$5,609
Gas Distribution	343	18	52	n/a	1,626
Gas Transmission	108	131	(3)	n/a	290
Retail Gas Marketing	218	-	n/a	\$15	63
Energy Marketing	151	-	n/a	(3)	64
Telecommunications Investments	-	-	-	(153)	307
All Other	-	3	-	3	536
Adjustments/Eliminations	-	(445)	19	(124)	(827)
Consolidated Total	\$1,471	\$-	\$242	\$(262)	\$7,668

9. SUBSEQUENT EVENTS

On July 1, 2003 SCANA retired at maturity \$20 million of 6.51% medium-term notes. On July 8, 2003 SCANA retired at maturity \$75 million of 6.25% medium-term notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SCANA CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in SCANA Corporation's (the Company) Annual Report on Form 10-K for the year ended December 31, 2002.

Statements included in this discussion and analysis (or elsewhere in this quarterly report) which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: (1) that the information is of a preliminary nature and may be subject to further and/or continuing review and adjustment, (2) changes in the utility and nonutility regulatory environment, (3) changes in the economy, especially in areas served by the Company's subsidiaries, (4) the impact of competition from other energy suppliers, (5) growth opportunities for the Company's regulated and diversified subsidiaries, (6) the results of financing efforts, (7) changes in the Company's accounting policies, (8) weather conditions, especially in areas served by the Company's subsidiaries, (9) performance of and marketability of the Company's investments in telecommunications companies, (10) performance of the Company's pension plan assets, (11) inflation, (12) changes in environmental regulations, (13) volatility in commodity natural gas markets and (14) the other risks and uncertainties described from time to time in the Company's periodic reports filed with the United States Securities and Exchange Commission (SEC). The Company disclaims any obligation to update any forward-looking statements.

COMPETITION

Electric Operations

In South Carolina electric restructuring efforts remain stalled, and the state legislature adjourned for the year without considering electric restructuring legislation. At the federal level, energy legislative passed both houses of Congress in 2003, though significant differences exist between the House and Senate versions. Some of the more stringent provisions of this legislation, either currently included or expected to be debated in conference committee, would require that one percent of the electric energy sold by retail electric suppliers, beginning in 2005, escalating to ten percent by 2020, be generated from renewable energy resources. Renewable energy resources, as defined in the legislation, may exclude hydroelectric generation. Substantial penalties would be levied for failure to comply. Electric cooperatives and municipal utilities would be exempt from these requirements. The Company cannot predict whether such legislation will be enacted, and if it is, the conditions it would impose on utilities.

In July 2002 the United States Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) on Standard Market Design (SMD) which proposes sweeping changes to the country's existing regulatory framework governing transmission, open access and energy markets and will attempt, in large measure, to standardize the national energy market. If implemented, the proposed rule may have a significant impact on South Carolina Electric and Gas Company's (SCE&G) access to or cost of power for its native load customers and on SCE&G's marketing of power outside its service territory. On April 28, 2003 FERC issued a "white paper" regarding SMD which describes how the final SMD rule will differ from the NOPR. The Company is currently evaluating FERC's action to determine potential effects on SCE&G's operations. Additional directives from FERC are expected.

Gas Distribution

Natural gas competes with electricity, propane and heating oil to serve the heating and, to a lesser extent, the other household energy needs of residential and small commercial customers. This competition is generally based on price and convenience. Large commercial and industrial customers often have the ability to switch from natural gas to an alternate fuel, such as propane or fuel oil. Natural gas competes with these alternate fuels based on price. As a result, any significant disparity between supply and demand, either of natural gas or of alternate fuels, and due either to production or delivery disruptions or other factors, will affect the price and impact the Company's ability to retain large commercial and industrial customers on a monthly basis.

Gas Transmission

In September 2002 SCG Pipeline, Inc. (SCG) received approval from FERC to acquire an interest in an existing pipeline and to build a pipeline from Elba Island, Georgia to Jasper County, South Carolina. When operational, SCG will provide interstate transportation services for natural gas to markets in southeastern Georgia and South Carolina. SCG will transport natural gas from interconnections with Southern Natural at Port Wentworth, Georgia, and from an import terminal owned by Southern LNG at Elba Island, near Savannah, Georgia. The endpoint of SCG's pipeline will be at the site of the natural gas-fired generating station that SCE&G is building in Jasper County, South Carolina. Construction of the pipeline began in March 2003, with completion expected by the end of 2003, at a cost of approximately \$32 million.

South Carolina Pipeline Corporation (SCPC) supplies natural gas to SCE&G, for its resale to gas distribution customers and for certain electric generation needs. SCPC also sells natural gas to large commercial and industrial customers in South Carolina, and it faces the same competitive pressures as gas distribution for these classes of customers.

Retail Gas Marketing

SCANA Energy continues to maintain its position as the second largest natural gas marketer in Georgia with a market share of approximately 25 percent and a total customers in excess of 350,000. SCANA Energy's competitors include affiliates of other large energy companies with substantial experience in Georgia's energy market as well as several electric membership cooperatives (EMCs). SCANA's ability to maintain its market share depends on the prices it charges customers relative to the prices charged by its competitors, its ability to continue to provide high levels of customer service and other factors.

The Georgia Public Service Commission (GPSC) continues to implement provisions of Natural Gas Consumer's Relief Act of 2002 (the Act). Among other things, the Act created a regulated provider selected through a bidding process to serve low-income and high credit risk customers. The Act also established new service quality standards and addressed assignment of interstate assets.

In 2002 SCANA Energy was selected by the GPSC to serve as Georgia's regulated provider for a 2-year period. In this capacity, SCANA Energy serves low-income customers at a rate subsidized by Georgia's Universal Service Fund, and extends service to high credit risk customers who have been denied service by other marketers. At June 30, 2003 approximately 24,000 of SCANA Energy's customers were being served under this program.

In July 2003 the GPSC approved a joint stipulation between the GPSC staff, Atlanta Gas Light Company (AGL) and other natural gas marketers dealing with interstate asset capacity and other operational issues. The joint stipulation reduces the frequency whereby AGL can recall capacity previously released to the various gas marketers and streamlines certain gas balancing processes. Though SCANA Energy believes the joint stipulation will improve operations for the gas marketers, SCANA Energy continues to advocate an alternate plan it proposed that would assign interstate asset capacity to the gas marketers choosing assignment and approved by the GPSC. The GPSC has indicated that it intends to file a request with FERC to obtain a declaratory order on whether FERC regulation would preempt or have jurisdiction over SCANA Energy's proposal. The GPSC has not yet filed the request with FERC. After the FERC issues a declaratory order, the GPSC is expected to evaluate the order and determine what action, if any, the GPSC should take on SCANA Energy's proposal.

SCANA Energy and SCANA's other natural gas distribution, transmission and marketing segments maintain gas inventory and also utilize forward contracts and financial instruments, including futures contracts and options, to manage their exposure to fluctuating commodity natural gas prices. As a part of this risk management process, at any given time, a portion of SCANA's projected natural gas needs has been purchased or otherwise placed under contract. This factor and others (e.g., the level of bad debts experienced) are, in the aggregate, used to establish retail pricing levels at SCANA Energy. As a result of the regulatory actions discussed above and other downward pricing pressures inherent in a competitive market, SCANA Energy may be unable to sustain its current levels of customers and/or pricing, thereby reducing expected margins and profitability.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that its contractual cash obligations will be met through internally generated funds and the incurrence of additional short-term and long-term indebtedness. Sales of additional equity securities may also occur. The Company expects that it has or can obtain adequate sources of financing to meet its projected cash requirements for the foreseeable future. The Company's ratio of earnings to fixed charges for the 12 months ended June 30, 2003 was 1.82.

Cash requirements for SCANA's regulated subsidiaries arise primarily from their operational needs, funding their construction program and payment of dividends to SCANA. The ability of the regulated subsidiaries' to replace existing plant investment, as well as to expand to meet future demand for electricity or gas, will depend on their ability to attract the necessary financial capital on reasonable terms. Regulated subsidiaries recover the costs of providing services through rates charged to customers. Rates for regulated services are generally based on historical costs. As customer growth and inflation occur and these subsidiaries continue their ongoing construction programs, rate increases will be sought. The future financial position and results of operations of the regulated subsidiaries will be affected by their ability to obtain adequate and timely rate and other regulatory relief, if requested.

In January 2003 the Public Service Commission of South Carolina (SCPSC) issued an order granting SCE&G a composite increase in retail electric rates of approximately 5.8% which is designed to produce additional annual revenues of approximately \$70.7 million based on a test year calculation. The SCPSC authorized a return on common equity of 12.45%. The new rates were effective for service rendered on and after February 1, 2003. As a part of the order, the SCPSC extended through 2005 its approval of the accelerated capital recovery plan for SCE&G's Cope Generating Station. Under the plan, based on the level of revenues and operating expenses, SCE&G may increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates, not to exceed \$36 million annually without the approval of the SCPSC. Any unused portion of the \$36 million in any given year may be carried forward for possible use in the following year.

The following table summarizes how the Company generated and used funds for property additions and construction expenditures during the six months ended June 30, 2003 and 2002:

Millions of dollars	Six Months Ended June 30,	
	2003	2002
Net cash provided from operating activities	\$242	\$188
Net cash used for financing activities	(69)	(39)
Cash provided from sale of investments and assets	65	336
Funds used for investments	(8)	(20)
Cash and temporary investments available at the beginning of the period	374	192
Funds used for utility property additions and construction expenditures, net of noncash allowance for funds used during construction	\$(381)	\$(269)
Funds used for nonutility property additions	(4)	(7)

CAPITAL TRANSACTIONS

On January 13, 2003 SCANA retired at maturity \$60 million of 6.05% medium-term notes.

On January 23, 2003 SCE&G issued \$200 million of First Mortgage Bonds having an annual interest rate of 5.80% and maturing on January 15, 2033. The proceeds from the sale of these bonds were used to reduce short-term debt and for general corporate purposes.

On April 4, 2003 SCANA redeemed \$100 million of floating rate medium-term notes that were set to mature August 8, 2003. The notes were bearing interest at a rate of 2.215% when redeemed.

On May 21, 2003 SCE&G issued \$300 million First Mortgage Bonds having an annual interest rate of 5.30% and maturing on May 15, 2033. SCE&G used the net proceeds from the sale of these bonds and certain other SCE&G funds to redeem its \$100 million principal amount of 7.625% First Mortgage Bonds due June 1, 2023, its \$150 million principal amount of 7.50% First Mortgage Bonds due June 15, 2023 and its Junior Subordinated Debentures which effected the redemption of \$50 million aggregate amount of 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I.

On July 1, 2003 SCANA retired at maturity \$20 million of 6.51% medium-term notes. On July 8, 2003 SCANA retired at maturity \$75 million of 6.25% medium-term notes.

CAPITAL PROJECTS

In May 2002 SCE&G began construction of an 875 megawatt generation facility in Jasper County, South Carolina to supply electric ity to its South Carolina customers. The facility will include three natural gas combustion-turbine generators and one steam-turbine generator. The \$450 million facility is expected to begin commercial operation in mid-2004. SCG will transport natural gas to the facility.

In October 1999 FERC mandated that SCE&G reinforce its Lake Murray dam in order to comply with new federal safety standards and maintain the lake in case of an extreme earthquake. Construction for the project and related activities, which began in the third quarter of 2001, is expected to cost approximately \$275 million and be completed in 2005. Costs incurred through June 30, 2003 totaled approximately \$105 million.

In 2002 SCE&G entered into an agreement with the South Carolina Transportation Infrastructure Bank (the Bank) and the South Carolina Department of Transportation (SCDOT) that allows SCE&G to borrow funds from the Bank to construct a roadbed for SCDOT in connection with the above Lake Murray dam remediation project. The loan agreement provides for interest-free borrowings for costs incurred not to exceed \$59 million, with such borrowings being repaid over ten years from the initial borrowing. At June 30, 2003 SCE&G has not yet borrowed under the agreement.

ENVIRONMENTAL MATTERS

For information on environmental matters see Note 7C of Notes to Condensed Consolidated Financial Statements.

OTHER MATTERS

Nuclear Station License Extension

In August 2002 SCE&G filed an application with the Nuclear Regulatory Commission (NRC) for a 20-year license extension for its V. C. Summer Nuclear Station (Summer Station). If approved, the extension would allow the plant to operate through 2042. At June 30, 2003 SCE&G has capitalized approximately \$9 million related to the application process and expects to capitalize an additional \$3 million. SCE&G expects the extension to be issued in mid-2004.

Telecommunications Investments

On May 9, 2003, the Company's investment in ITC Holding Company, Inc. was sold. The transaction resulted in the receipt of net after-tax cash proceeds of approximately \$46 million and the receipt of an investment interest in a newly formed entity, Magnolia Holding Company LLC, valued at approximately \$8 million. A book gain, net of tax, of approximately \$37 million was realized upon this transaction.

Synthetic Fuel

SCE&G holds two equity-method investments in partnerships involved in converting coal to non-conventional fuel, the use of which fuel qualifies for federal income tax credits. The aggregate investment in these partnerships as of June 30, 2003 is approximately \$4 million, and through June 30, 2003, they have generated and passed through to SCE&G approximately \$74 million in such tax credits. In addition, PrimeSouth, Inc, a non-regulated subsidiary of SCANA, operates a synthetic fuel facility for a third party and receives management fees, royalties and expense reimbursements related to these services. PrimeSouth does not benefit from any synfuel tax credits.

Under a plan approved by the SCPSC, any tax credits generated and ultimately passed through SCE&G from synfuel produced and consumed by SCE&G have been and will be deferred and will be applied to offset the capital costs of projects required to comply with legislative or regulatory actions. See Note 1A of Notes to Consolidated Financial Statements.

On June 27, 2003 the Internal Revenue Service (IRS) announced that it is reviewing the scientific validity of certain test procedures and results that have been presented as evidence that solid coal-based synthetic fuels have undergone a significant chemical change. Pending completion of this review, the IRS has suspended the issuance of Private Letter Rulings on the question of significant chemical change for requests that rely on the testing procedures and results being reviewed. After the IRS concludes its review, which may occur before the end of 2003, the IRS may seek to disallow synfuel tax credits retroactively, prospectively or both. Although one of the partnerships in which SCE&G owns an interest is currently under audit by the IRS, there have been no issues raised with respect to the validity with respect to the validity of synthetic fuel tax credits. While SCE&G is not able to determine what conclusion the IRS will reach, to the extent the IRS disallows synfuel tax credits, there would not be a material adverse effect on the Company's or SCE&G's financial position, results of operations or cash flows.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003 AS COMPARED TO THE CORRESPONDING PERIODS IN 2002

The following discussion of the results of operations of SCANA Corporation and its subsidiaries (the Company) includes a non-GAAP measure, net earnings from operations per share, which excludes from net income (loss) (i) the cumulative effects of mandated changes in accounting principles and (ii) the effects of sales of certain assets and investments and impairment charges related to certain investments. Management considers net earnings from operations to be a relevant measure in assessing the Company's fundamental earnings in that it provides investors with improved transparency of financial information and more meaningful comparability of period-over-period analysis.

Earnings Per Share

Net earnings from operations per share of common stock for the second quarter and year to date periods ended June 30, 2003 and 2002 were as follows:

	Second Quarter		Year to Date	
	2003	2002	2003	2002
Earnings (loss) per share	\$.67	\$.38	\$1.42	\$(2.50)
Less: Realized gain from sale of telecommunications investments	.33	-	.33	.10
Investment impairments	(.04)	(.07)	(.04)	(1.59)
Sale of assets	-	.09	-	.09
Cumulative effect of accounting change, net of taxes	-	-	-	(2.20)
Net earnings from operations per share	\$.38	\$.36	\$1.13	\$1.10

Second Quarter 2003 vs 2002

Net earnings from operations per share increased \$.02 primarily due to improved electric margins of \$.12 and improved gas margins of \$.06. These factors were partially offset by higher operation and maintenance expenses of \$.06, higher property taxes of \$.02, higher depreciation and amortization expense of \$.03 and the dilutive effect of the change in shares outstanding of \$.04.

Earnings per share for 2003 includes a gain of \$.33 per share in connection with the sale of ITC Holding shares and the receipt of an investment interest in a newly formed entity (Magnolia Holding) in May 2003. In the second quarter of 2003 the Company recorded an impairment charge related to the Knology preferred stock investment of \$.04 per share. In April 2002 the Company recorded a \$.09 per share gain from the sale of a subsidiary's radio service network. In June 2002 the Company recorded an impairment write-down of \$.07 per share related to the other than temporary decline in market value of the Company's investment in Deutsche Telekom AG (DTAG).

Year to Date 2003 vs 2002

Net earnings from operations per share increased \$.03 primarily due to higher electric margins of \$.24 and higher gas margins of \$.18. These factors were partially offset by higher operations and maintenance expenses of \$.16, higher depreciation and amortization expenses of \$.07, higher property taxes of \$.04, the dilutive effect of additional shares outstanding of \$.08 and lower AFC of \$.03.

Year to date earnings (loss) per share include the items described in the second quarter above. In addition, earnings (loss) per share for 2002 includes a gain of \$.10 per share in connection with the sale of DTAG shares in March 2002. In March 2002 the Company also recorded an impairment write-down of \$1.52 per share related to the other than temporary decline in market value of the Company's investment in DTAG and an additional \$0.07 impairment described above in the second quarter. Also, as required by SFAS 142 the Company recorded an impairment charge of \$2.20 per share, effective January 1, 2002, related to the acquisition adjustment associated with Public Service Company of North Carolina, Incorporated (PSNC Energy). The charge was recorded as the cumulative effect of an accounting change.

Pension Income

For the last several years, the market value of the Company's retirement plan (pension) assets has exceeded the total actuarial present value of accumulated plan benefits. However, pension income in all periods of 2003 decreased significantly compared to corresponding periods in 2002 primarily as a result of declines in the value of investments through 2002. Pension income during these periods was recorded on the Company's financial statements as follows:

Millions of dollars	Second Quarter		Year to Date	
	2003	2002	2003	2002
Income Statement Impact:				
(Increase) decrease in employee benefit costs	\$(1.2)	\$3.3	\$(2.3)	\$6.9
Increase in other income	1.9	1.8	3.9	3.9
Balance Sheet Impact:				
(Increase) decrease in capital expenditures	(0.3)	1.0	(0.6)	1.9
(Increase) decrease in amount due to Summer Station co-owner	(0.1)	0.3	(0.1)	0.6
Total Pension Income	\$0.3	\$6.4	\$0.9	\$13.3

Allowance for Funds Used During Construction (AFC)

AFC is a utility accounting practice whereby a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the balance sheet as construction work in progress) is capitalized. The Company includes an equity portion of AFC in nonoperating income and a debt portion of AFC in interest charges (credits) as noncash items, both of which have the effect of increasing reported net income. The decrease in AFC for the three and six months ended June 30, 2003 is primarily the result of the completion of the Urquhart Station repowering project in June 2002. In addition, in January 2003 the SCPSC issued an order allowing SCE&G to include all Jasper County Generating project expenditures as of December 31, 2002 and other construction work in progress expenditures as of June 30, 2002 in electric rate base. At the time the expenditures were included in rate base, AFC was no longer calculated on those amounts. These decreases were partially offset by increased construction expenditures related to the Jasper County Generating Station project in 2003 and the Lake Murray Dam project (see discussion at CAPITAL PROJECTS).

Dividends Declared

The Company's Board of Directors has declared the following dividends on common stock during 2003 :

Declaration Date	Dividend Per Share	Record Date	Payment Date
February 20, 2003	\$.345	March 10, 2003	April 1, 2003
May 1, 2003	\$.345	June 10, 2003	July 1, 2003
July 31, 2003	\$.345	September 10, 2003	October 1, 2003

Electric Operations

Electric Operations is comprised of the electric portion of SCE&G, South Carolina Generating Company, Inc. (GENCO) and South Carolina Fuel Company (Fuel Company). Changes in the electric operations sales margins were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating revenues	\$356.3	\$348.5	\$7.8	2.2%	\$692.3	\$651.1	\$41.2	6.3%
Less: Fuel used in generation	80.0	91.5	(11.5)	(12.6%)	160.8	165.9	(5.1)	(3.1%)
Purchased power	15.6	16.3	(0.7)	(4.3%)	26.1	21.4	4.7	22.0%
Margin	\$260.7	\$240.7	\$20.0	8.3%	\$505.4	\$463.8	\$41.6	9.0%

Second Quarter 2003 vs 2002

Margin increased by \$21.3 million due to the increase in retail electric base rates approved in January 2003 and by \$7.4 million due to customer growth and increased consumption. These increases were partially offset by \$7.9 million due to less favorable weather. Fuel used in generation and purchased power decreased due to milder weather that resulted in a 1.6% decline in total kilowatt-hour sales.

Year to Date 2003 vs 2002

Margin increased by \$30.1 million due to the increase in retail electric base rates approved in January 2003 and by \$13.8 million due to customer growth and increased consumption. These increases were partially offset by \$2.3 million due to the effects of less favorable weather. Fuel used in generation decreased and purchased power increased due to several planned outages at steam plants during the first quarter of 2003.

Gas Distribution

Gas Distribution is comprised of the local distribution operations of SCE&G and PSNC Energy. Changes in the gas distribution sales margins, including transactions with affiliates, were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating revenues	\$145.6	\$102.5	\$43.1	42.0%	\$488.9	\$343.5	\$145.4	42.3%
Less: Gas purchased for resale	102.3	60.9	41.4	68.0%	333.8	201.0	132.8	66.1%
Margin	\$43.3	\$41.6	\$1.7	4.1%	\$155.1	\$142.5	\$12.6	8.8%

Second Quarter 2003 vs 2002

Margin increased primarily due to increased recovery of environmental remediation expenses of \$0.3 million (offset in operations and maintenance) and customer growth and increased consumption of \$2.8 million partially offset by a decrease in industrial usage of \$1.4 million due to an unfavorable competitive position of natural gas relative to alternate fuels.

Year to Date 2003 vs 2002

Margin increased primarily due to increased customer growth at PSNC Energy (2.8%) and SCE&G (1.3%) and increased recovery of environmental remediation expenses of \$1.6 million (offset in operations and maintenance) partially offset by a second quarter decrease in industrial usage of \$2.3 million due to an unfavorable competitive position of natural gas relative to alternate fuels.

Gas Transmission

Gas Transmission is comprised of the operations of SCPC. Changes in the gas transmission sales margins, including transactions with affiliates, were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating revenues	\$110.1	\$110.9	\$(0.8)	(0.7%)	\$302.5	\$239.0	\$63.5	26.6%
Less: Gas purchased for resale	99.1	98.4	0.7	0.7	278.4	227.0	51.4	22.6%
Margin	\$11.0	\$12.5	\$(1.5)	(12.0%)	\$24.1	\$12.0	\$12.1	*

*Greater than 100%

Second Quarter 2003 vs 2002

Margin decreased primarily due to an unfavorable competitive position of natural gas relative to alternate fuels and decreased demand for natural gas as a fuel for electric generation due to milder weather.

Year to Date 2003 vs 2002

Margin increased primarily due to the favorable competitive position of natural gas relative to alternate fuels in the first quarter of \$13.6 million, partially offset by the unfavorable competitive position of natural gas relative to alternate fuels in the second quarter of \$1.5 million.

Retail Gas Marketing

Retail Gas Marketing is comprised of SCANA Energy. Changes in Retail Gas Marketing revenues and net income (loss) were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating revenues	\$76.5	\$62.0	\$14.5	23.4%	\$260.2	\$218.2	\$42.0	19.2%
Net income (loss)	3.4	(0.3)	3.7	*	16.6	13.4	3.2	23.9%

*Greater than 100%

Second Quarter 2003 vs 2002

Operating revenues increased primarily as a result of the increased volumes and higher average retail prices. Net income increased primarily due to higher margins of \$5.3 million partially offset by increased bad debt expense of \$0.6 million and increased interest and operating expenses of \$0.3 million.

Year to Date 2003 vs 2002

Operating revenues increased primarily as a result of the increased volumes and higher average retail prices. Net income increased primarily due to higher margins of \$6.0 million partially offset by increased bad debt expense of \$0.7 million, increased interest expense of \$0.5 million and higher operating expense of \$0.8 million.

Energy Marketing

Energy Marketing is comprised of the Company's non-regulated marketing operations, excluding SCANA Energy. Changes in energy marketing operating revenues, including transactions with affiliates, and net income (loss) were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating revenues	\$100.6	\$82.6	\$18.0	21.8%	\$223.0	\$150.5	\$72.5	48.2%
Net income (loss)	0.1	(1.1)	1.2	*	(1.7)	(2.0)	0.3	(15.0%)

*Greater than 100%

Second Quarter 2003 vs 2002

Operating revenues increased primarily as a result of the increase in commodity natural gas prices. Net income increased primarily due to higher margins.

Year to Date 2003 vs 2002

Operating revenues increased primarily as a result of the increase in commodity natural gas prices. Net loss decreased primarily as a result of lower operating and interest expenses of \$2.2 million partially offset by lower margins of \$1.9 million.

Other Operating Expenses

Changes in other operating expenses were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Other operation and maintenance	\$141.0	\$131.4	\$9.6	7.3%	\$285.2	\$257.8	\$27.4	10.6%
Depreciation and amortization	60.3	54.7	5.6	10.2%	120.2	108.4	11.8	10.9%
Other taxes	35.3	32.1	3.2	10.0%	69.8	63.3	6.5	10.3%
Total	\$236.6	\$218.2	\$18.4	8.4%	\$475.2	\$429.5	\$45.7	10.6%

Second Quarter 2003 vs 2002

Other operation and maintenance expenses increased primarily due to reduced pension income of \$4.5 million, increased labor and benefit costs of \$2.8 million and increased healthcare costs of \$1.8 million. Depreciation and amortization increased by \$4.0 million due to normal net property charges and by \$1.6 million due to completion of the Urquhart Station repowering project in June 2002. Other taxes increased primarily due to increased property taxes.

Year to Date 2003 vs 2002

Other operation and maintenance expenses increased primarily due to reduced pension income of \$9.2 million, increased labor and benefits costs of \$6.2 million, increased healthcare cost of \$4.2 million, increased amortization of environmental costs of \$1.6 million, increased other operating expenses for electric generation and transmission of \$2.5 million and increased bad debt expense of \$1.3 million. Depreciation and amortization increased by \$7.6 million due to normal net property changes and by \$4.2 million due to the completion of the Urquhart Station repowering project in June 2002. Other taxes increased primarily due to increased property taxes.

Other Income (Expense)

Other income for the second quarter and year to date 2003 vs 2002, including AFC, increased primarily due to changes related to the gain on sale of assets and investments and the impairment of investments as discussed at Earnings Per Share. In addition, other income decreased due to a reduction in AFC due to completion of the Urquhart Station Repowering project in June 2002. In addition, in January 2003 the SCPSC issued an order allowing SCE&G to include all Jasper County Generating project expenditures as of December 31, 2002 and other construction work in progress expenditures as of June 30, 2002 in electric rate base. At the time the expenditures were included in rate base, AFC was no longer calculated on those amounts. These decreases were partially offset by the Jasper County Generating Station project and Lake Murray Dam Project.

Interest Expense

Second Quarter 2003 vs 2002

Interest expense remained unchanged due to lower interest rates of \$7.5 million offset by \$7.3 million due to increased debt and lower AFC.

Year to Date 2003 vs 2002

Interest expense remained unchanged due to lower interest rates of \$9.4 million, offset by \$9.8 million due to increased debt and lower AFC.

Income Taxes

Income taxes increased primarily as a result of changes in Other Income (Expense) as discussed at Earnings Per Share.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk - The table below provides information about long-term debt issued by the Company and other financial instruments that are sensitive to changes in interest rates. For debt obligations the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the figures shown reflect notional amounts and related maturities. Fair values for debt and swaps represent quoted market prices.

<u>As of June 30, 2003</u> Millions of dollars	<u>Expected Maturity Date</u>						There- After	Total	Fair Value
	2003	2004	2005	2006	2007				
Liabilities									
Long-Term Debt:									
Fixed Rate (\$)	251.0	202.1	197.0	177.3	71.3	2,424.2	3,322.9	3,406.8	
Average Fixed Interest Rate (%)	6.39	7.51	7.37	8.58	6.94	6.39	6.64		
Variable Rate (\$)		150.0					150.0	149.3	
Average Variable Interest Rate (%)		1.94					1.94		
Interest Rate Swaps:									
Pay Variable/Receive Fixed (\$)	4.3	57.5	3.2	3.2	28.2	241.0	337.4	20.17	
Average Pay Interest Rate (%)	7.20	6.10	4.29	4.29	4.56	3.03	3.76		
Average Receive Interest Rate (%)	10.0	7.70	8.75	8.75	7.11	6.21	6.63		

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

At June 30, 2003 the Company held investments in the 12% senior unsecured notes (due 2009) of a telecommunications company, the cost basis of which, including accrued interest, is approximately \$46 million. As these notes are not actively traded, determination of their fair value is not practicable.

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

As of June 30, 2003

Millions of dollars, except weighted average settlement price and strike price

Natural Gas Derivatives:	Expected Maturity in 2003			Expected Maturity in 2004			Expected Maturity in 2005		
	Settlement Price ^(a)	Contract Amount	Fair Value	Settlement Price ^(a)	Contract Amount	Fair Value	Settlement Price ^(a)	Contract Amount	Fair Value
Futures Contracts:									
Long(\$)	5.56	11.3	11.5	5.50	8.3	8.6	4.86	2.8	3.2
Short(\$)	5.62	1.4	1.3	-	-	-	-	-	-
Options:									
	Strike Price ^(a)		Contract Amount						
Purchased call (long)(\$)	5.46		3.5						
Purchased put (short) (\$)	5.40		9.5						

^(a) Weighted average

The Company uses derivative instruments to hedge forward purchases and sales of natural gas, which create market risks of different types. See Note 6 of Notes to Condensed Consolidated Financial Statements.

The NYMEX futures information above includes those financial positions of both Energy Marketing and SCPC. Certain derivatives that SCPC utilizes to hedge its gas purchasing activities are recoverable through its weighted average cost of gas calculation. SCPC's tariffs include a purchased gas adjustment (PGA) clause that provides for the recovery of actual gas costs incurred. The SCPC has ruled that the results of SCPC's hedging activities are to be included in the PGA. The offset to the change in fair value of these derivatives is recorded as a current asset or liability.

Beginning in January 2003, PSNC Energy initiated a hedging program for gas purchasing activities using NYMEX futures and options. PSNC Energy's tariffs include a provision for the recovery of actual gas costs incurred. PSNC Energy will include the offset to the change in fair value of derivatives acquired as part of its hedging program in deferred accounts for the over or under recovery of gas costs. PSNC Energy will seek approval of this accounting and cost recovery treatment from the North Carolina Utilities Commission (NCUC) during the annual review of its gas purchasing practices in August 2003. The offset to the change in fair value of these derivatives will be recorded as a regulatory asset or liability.

Equity price risk – Investments in telecommunications companies' equity securities (excluding preferred stock with significant debt characteristics) are carried at market value or, if market value is not readily determinable, at cost. The carrying value of the Company's investments in such securities totaled \$89.8 million at June 30, 2003. A temporary decline in value of ten percent would result in a \$9.0 million reduction in fair value and a corresponding adjustment, net of tax effect, to the related equity account for unrealized gains/losses, a component of Other Comprehensive Income (Loss). An other than temporary decline in value of ten percent would result in a \$9.0 million reduction in fair value and a corresponding adjustment to net income, net of tax effect.

Item 4. Controls and Procedures

As of June 30, 2003 an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that as of June 30, 2003 the Company's disclosure controls and procedures were effective. There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2003 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
FINANCIAL SECTION**

Item 1. Financial Statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

Millions of dollars	June 30, 2003	December 31, 2002
Assets		
Utility Plant:		
Electric	\$5,066	\$4,934
Gas	445	439
Other	197	184
Total	5,708	5,557
Accumulated depreciation and amortization	(1,991)	(1,912)
Total	3,717	3,645
Construction work in progress	795	604
Nuclear fuel, net of accumulated amortization	28	38
Utility Plant, Net	4,540	4,287
Nonutility Property and Investments, Net	26	25
Current Assets:		
Cash and temporary investments	81	56
Receivables, net	226	237
Receivables - affiliated companies	64	46
Inventories (at average cost):		
Fuel	32	48
Materials and supplies	50	53
Emission allowances	9	10
Prepayments	27	24
Total Current Assets	489	474
Deferred Debits:		
Environmental	12	18
Nuclear plant decommissioning	-	87
Assets held in trust, net - nuclear decommissioning	36	-
Pension asset, net	266	265
Due from affiliates – pension and postretirement benefits	19	18
Other regulatory assets	295	267
Other	124	111
Total Deferred Debits	752	766
Total	\$5,807	\$5,552

Millions of dollars	June 30, 2003	December 31, 2002
Capitalization and Liabilities		
Stockholders' Investment:		
Common equity	\$1,977	\$1,966
Preferred stock (Not subject to purchase or sinking funds)	106	106
Total Stockholders' Investment	2,083	2,072
Preferred Stock, net (Subject to purchase or sinking funds)	9	9
Company-Obligated Mandatorily Redeemable Preferred Securities of the Company's Subsidiary Trust, SCE&G Trust I, holding solely \$50 million principal amount of 7.55% Junior Subordinated Debentures of SCE&G	-	50
Long-Term Debt, net	1,774	1,534
Total Capitalization	3,866	3,665
Current Liabilities:		
Short-term borrowings	212	178
Current portion of long-term debt	144	144
Accounts payable	87	124
Accounts payable – affiliated companies	83	77
Customer deposits	24	22
Taxes accrued	109	93
Interest accrued	37	31
Dividends declared	38	42
Deferred income taxes, net	2	12
Other	25	37
Total Current Liabilities	761	760
Deferred Credits:		
Deferred income taxes, net	616	610
Deferred investment tax credits	107	108
Reserve for nuclear plant decommissioning	-	87
Asset retirement obligation - nuclear plant	114	-
Due to affiliates – pension and postretirement benefits	16	17
Postretirement benefits	136	131
Regulatory liabilities	124	109
Other	67	65
Total Deferred Credits	1,180	1,127
Total	\$5,807	\$5,552

See Notes to Condensed Consolidated Financial Statements.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Operating Revenues:				
Electric	\$358	\$350	\$695	\$654
Gas	64	53	204	160
Total Operating Revenues	422	403	899	814
Operating Expenses:				
Fuel used in electric generation	71	75	140	131
Purchased power (including affiliated purchases)	34	42	65	75
Gas purchased for resale	50	40	150	112
Other operation and maintenance	100	97	202	180
Depreciation and amortization	48	42	95	84
Other taxes	31	28	61	54
Total Operating Expenses	334	324	713	636
Operating Income	88	79	186	178
Other Income, Including Allowance for Equity Funds				
Used During Construction of \$4, \$6, \$8 and \$11	8	10	15	19
Income Before Interest Charges, Income Taxes and Preferred Stock Dividends	96	89	201	197
Interest Charges, Net of Allowance for Borrowed Funds Used During Construction of \$2, \$3, \$4 and \$7	34	29	66	57
Dividend Requirement of Company – Obligated Mandatorily Redeemable Preferred Securities	1	1	2	2
Income Before Income Taxes and Preferred Stock Dividends	61	59	133	138
Income Taxes	21	19	46	46
Net Income	40	40	87	92
Preferred Stock Cash Dividends Declared (At stated rates)	2	2	4	4
Earnings Available for Common Stockholder	\$38	\$38	\$83	\$88

See Notes to Condensed Consolidated Financial Statements.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Millions of dollars	Six Months Ended June 30,	
	2003	2002
Cash Flows From Operating Activities:		
Net income	\$87	\$92
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	95	84
Amortization of nuclear fuel	12	7
Allowance for funds used during construction	(12)	(18)
Over (under) collections, fuel adjustment clauses	25	(11)
Changes in certain assets and liabilities:		
(Increase) decrease in receivables	(7)	(36)
(Increase) decrease in inventories	20	(6)
(Increase) decrease in prepayments	(3)	(15)
(Increase) decrease in pension asset	(1)	(13)
(Increase) decrease in other regulatory assets	(7)	(1)
Increase (decrease) in deferred income taxes, net	(4)	11
Increase (decrease) in other regulatory liabilities	21	18
Increase (decrease) in postretirement benefits	5	5
Increase (decrease) in accounts payable	(31)	5
Increase (decrease) in taxes accrued	16	(59)
Increase (decrease) in interest accrued	6	6
Changes in other assets	(13)	(15)
Changes in other liabilities	6	5
Net Cash Provided From Operating Activities	204	59
Cash Flows From Investing Activities:		
Utility property additions and construction expenditures, net of AFC	(304)	(238)
Proceeds from sales of assets	-	1
Increase in nonutility property	-	(1)
Increase in investments	(8)	(3)
Net Cash Used For Investing Activities	(312)	(241)
Cash Flows From Financing Activities:		
Proceeds:		
Issuance of First Mortgage Bonds	495	295
Other long-term debt	2	-
Capital contribution from parent	-	3
Repayments:		
Mortgage Bonds	(250)	(104)
Other long-term debt	(8)	(2)
SCE&G Trust I Preferred Securities	(50)	-
Treasury Interest Lock	(21)	-
Dividends and distributions:		
Common stock	(76)	(75)
Preferred stock	(4)	(4)
Short-term borrowings, net	34	48
Net Cash Provided From Financing Activities	122	161
Net Increase (Decrease) In Cash and Temporary Investments	25	(21)
Cash and Temporary Investments, January 1	56	37
Cash and Temporary Investments, June 30	\$81	\$16
Supplemental Cash Flow Information:		
Cash paid for - Interest (net of capitalized interest of \$4 and \$7)	\$60	\$84
- Income taxes	-	45

See Notes to Condensed Consolidated Financial Statements.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003
(Unaudited)

The following notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in South Carolina Electric & Gas Company's (the Company) Annual Report on Form 10-K for the year ended December 31, 2002. These are interim financial statements, and due to the seasonality of the Company's business, the amounts reported in the Condensed Consolidated Statements of Income are not necessarily indicative of amounts expected for the year. In the opinion of management, the information furnished herein reflects all adjustments, all of a normal recurring nature, which are necessary for a fair statement of the results for the interim periods reported.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 requires cost-based rate-regulated utilities to recognize in their financial statements revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result the Company has recorded, as of June 30, 2003, approximately \$307 million and \$124 million of regulatory assets and liabilities, respectively, as shown below.

Millions of dollars	June 30, 2003	December 31, 2002
Accumulated deferred income taxes, net	\$86	\$86
Under-collections – fuel adjustment clauses	24	50
Deferred environmental remediation costs	12	18
Asset retirement obligation - nuclear decommissioning	51	-
Deferred non-conventional fuel tax benefits, net	(52)	(40)
Storm damage reserve	(34)	(32)
Franchise agreements	64	65
Other	32	29
Total	\$183	\$176

Accumulated deferred income tax liabilities arising from utility operations that have not been included in customer rates are recorded as a regulatory asset. Accumulated deferred income tax assets arising from deferred investment tax credits are recorded as a regulatory liability.

Under-collections - fuel adjustment clauses represent amounts under-collected from customers pursuant to the fuel adjustment clause (electric customers) or gas cost adjustment clause (gas customers) as approved by the Public Service Commission of South Carolina (SCPSC) during annual hearings.

Deferred environmental remediation costs represent costs associated with the assessment and clean up of manufactured gas plant (MGP) sites currently or formerly owned by the Company. Costs incurred at sites owned by the Company are being recovered through rates, and such costs, totaling approximately \$12 million, are expected to be fully recovered by the end of 2005.

Asset retirement obligation - nuclear decommissioning represents the regulatory asset associated with the legal obligation of decommissioning and dismantling V. C. Summer Nuclear Station (Summer Station) as required in SFAS 143, "Accounting for Asset Retirement Obligations." (See Note 1B).

Deferred non-conventional fuel tax benefits represent the deferral of partnership losses and other expenses, offset by the accumulated deferred income tax credits associated with two of the Company's partnerships involved in converting coal to alternate fuel. Under a plan approved by the SCPSC, any tax credits generated from non-conventional fuel produced and consumed by the Company and ultimately passed through to the Company, net of partnership losses and other expenses, have been and will be deferred and will be applied to offset the capital costs of projects required to comply with legislative or regulatory actions.

The storm damage reserve represents an SCPSC approved reserve account capped at \$50 million to be collected through rates over a ten-year period. The accumulated storm damage reserve can be applied to offset actual storm damage costs in excess of \$2.5 million in a calendar year.

Franchise agreements represent costs associated with the 30-year electric and gas franchise agreements with the cities of Charleston and Columbia, South Carolina. These amounts are not earning a return, but are being amortized through cost of service over the next 15 years.

The SCPSC has reviewed and approved through specific orders most of the items shown as regulatory assets. Other items represent costs which are not yet approved for recovery by the SCPSC. In recording these costs as regulatory assets, management believes the costs will be allowable under existing rate-making concepts that are embodied in rate orders received by the Company. However, ultimate recovery is subject to SCPSC approval. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded, but it is not expected that cash flows or financial position would be materially adversely affected.

B. New Accounting Standards

The Company adopted SFAS 143 effective January 1, 2003. SFAS 143 applies to legal obligations associated with the retirement of tangible long-lived assets (ARO) and requires the Company to recognize, as a liability, the fair value of an ARO in the period in which it is incurred and to accrete the liability to its present value in future periods. As of December 31, 2002, prior to the adoption of SFAS 143, the Company carried deferred debits and deferred credits each totaling approximately \$87 million related to the decommissioning and dismantling of Summer Station and the funding thereof. Effective January 1, 2003, in connection with the measurement of the ARO upon the adoption of SFAS 143, the amounts reflected within these regulatory assets and liabilities were recharacterized.

The following table presents such recharacterized amounts related to the decommissioning obligation and the funding thereof as recorded in the condensed consolidated balance sheet as of June 30, 2003, and the pro forma amounts that would have been recorded as of December 31, 2002 had SFAS 143 been adopted at the beginning of 2002.

<u>Millions of dollars</u>	June 30, 2003 <u>Actual</u>	As of December 31, 2002 <u>Proforma</u>	December 31, 2001 <u>Proforma</u>
Assets:			
Within electric plant	\$40	\$40	\$40
Within accumulated depreciation	(13)	(13)	(12)
Assets held in trust (net) - nuclear decommissioning	36	39	35
Within other regulatory assets	51	45	42
Total	<u>\$114</u>	<u>\$111</u>	<u>\$105</u>
Liabilities:			
Asset retirement obligation - nuclear plant decommissioning	<u>\$114</u>	<u>\$111</u>	<u>\$105</u>

Proforma net income (loss) for periods prior to the adoption of SFAS 143 would not differ from amounts actually recorded during these periods.

In addition to the ARO for Summer Station, the Company believes that there is legal uncertainty as to the existence of environmental obligations associated with certain transmission and distribution properties. The Company believes that any ARO related to this type of property would be insignificant and, due to the indeterminate life of the related assets, an ARO could not be reasonably estimated.

The Company adopted SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," effective January 1, 2003. The provisions of SFAS 145, among other things, discontinue treatment of gains or losses from the early extinguishment of debt as extraordinary items unless such early extinguishment meets the criteria of Accounting Principles Board Opinion (APB) 30. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 145.

The Company adopted SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective January 1, 2003. This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 146.

SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued in May 2003. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 150.

C. Affiliated Transactions

The Company has entered into agreements with certain affiliates to purchase gas for resale to its distribution customers and to purchase electric energy. The Company purchases all of its natural gas requirements from South Carolina Pipeline Corporation (SCPC). The Company had approximately \$18.3 million and \$29.6 million payable to SCPC for such gas purchases at June 30, 2003 and December 31, 2002, respectively. The Company purchases all of the electric generation of Williams Station, which is owned by South Carolina Generating Company (GENCO), under a unit power sales agreement. The Company had approximately \$8.5 million and \$9.0 million, payable to GENCO for unit power purchases at June 30, 2003 and December 31, 2002, respectively. Such unit power purchases, which are included in "Purchased power", amounted to approximately \$20.9 million and \$39.2 million for the three and six months ended June 30, 2002, respectively.

The Company holds two equity-method investments in partnerships involved in converting coal to non-conventional fuel. The Company had recorded as receivables from affiliated companies for these investments approximately \$15.5 million and \$8.5 million at June 30, 2003 and December 31, 2002, respectively. The Company had recorded as payables to affiliated companies for these investments approximately \$13.2 million and \$8.0 million at June 30, 2003 and December 31, 2002, respectively.

D. Reclassifications

Certain amounts from prior periods have been reclassified to conform with the presentation adopted for 2003.

2. RATE AND OTHER REGULATORY MATTERS

Electric

In January 2003 the SCPSC issued an order granting the Company an increase in retail electric rates of 5.8% which is designed to produce additional annual revenues of approximately \$70.7 million based on a test year calculation. The SCPSC authorized a return on common equity of 12.45%. The new rates were effective for service rendered on and after February 1, 2003. As a part of the order, the SCPSC extended through 2005 its approval of

the accelerated capital recovery plan for the Company's Cope Generating Station. Under the plan, based on the level of revenues and operating expenses, the Company may increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates, not to exceed \$36 million annually, without additional approval of the SCPSC. Any unused portion of the \$36 million in any given year may be carried forward for possible use in the following year.

In May 2002 the SCPSC issued an order approving the Company's request to increase the fuel component of rates charged to electric customers from 1.579 cents per KWh to 1.722 cents per KWh. The increase reflects higher fuel costs projected for the period May 2002 through April 2003. The increase also provided continued recovery for under-collected actual fuel costs through April 2001, including short-term purchased power costs necessitated by outages at two of the Company's base load generating plants in winter 2000-2001. The new rates were effective as of the first billing cycle in May 2002. The Consumer Advocate of South Carolina appealed to the South Carolina Circuit Court (Circuit Court) the portion of the SCPSC's order related to the recovery of certain purchased power costs. The appeal is still pending.

In January 2003, in conjunction with the approval of the above retail rate increase, the SCPSC approved the Company's request to reduce the fuel component to 1.678 cents per KWh. This reduction was effective for service rendered on and after February 1, 2003. In April 2003 the SCPSC issued an order approving the Company's request to maintain the fuel cost component of rates at 1.678 cents per KWh, effective May 1, 2003. The SCPSC also reaffirmed the prudence of the Company's purchasing practices and recognized the efficiency of the Company's electric generating plants; however, it deferred action on the recovery of certain purchased power costs pending the resolution of the above appeal to the Circuit Court of the SCPSC's May 2002 order.

Gas

The Company's rates are established using a cost of gas component approved by the SCPSC which may be modified periodically to reflect changes in the price of natural gas purchased by the Company.

The Company's cost of gas component in effect during the period January 1, 2002 through June 30, 2003 was as follows:

<u>Rate Per Therm</u>	<u>Effective Date</u>	<u>Rate Per Therm</u>	<u>Effective Date</u>
\$.728	January-February 2003	\$.596	January-October 2002
\$.928	March-June 2003	\$.728	November-December 2002

The SCPSC allows the Company to recover, through a billing surcharge to its gas customers, the costs of environmental cleanup at the sites of former manufactured gas plants (MGPs). The billing surcharge is subject to annual review and provides for the recovery of substantially all actual and projected site assessment and cleanup costs and environmental claims settlements for the Company's gas operations that had previously been recorded in deferred debits. In October 2002, as a result of the annual review, the SCPSC reaffirmed the Company's billing surcharge of 3.0 cents per therm, which is intended to provide for the recovery, prior to the end of the year 2005, of the balance remaining at June 30, 2003 of \$12.3 million.

3. LONG-TERM DEBT

On January 23, 2003 the Company issued \$200 million of First Mortgage Bonds having an annual interest rate of 5.80% and maturing on January 15, 2033. The proceeds from the sale of these bonds were used to reduce short-term debt and for general corporate purposes.

On May 21, 2003 the Company issued \$300 million First Mortgage Bonds having an annual interest rate of 5.30% and maturing on May 15, 2033. The Company used the net proceeds from the sale of these bonds and certain other Company funds to redeem its \$100 million principal amount of 7.625% First Mortgage Bonds due June 1, 2023, its \$150 million principal amount of 7.50% First Mortgage Bonds due June 15, 2023 and its Junior Subordinated Debentures which effected the redemption of \$50 million aggregate amount of 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I.

4. RETAINED EARNINGS

The Company's Restated Articles of Incorporation contain provisions that, under certain circumstances, could limit the payment of cash dividends on its common stock. In addition, with respect to hydroelectric projects, the Federal Power Act requires the appropriation of a portion of certain earnings therefrom. At June 30, 2003 approximately \$42.4 million of retained earnings were restricted by this requirement as to payment of cash dividends on common stock.

5. COMMITMENTS AND CONTINGENCIES

Reference is made to Note 11 of Notes to Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Commitments and Contingencies at June 30, 2003 include the following:

A. Lake Murray Dam Reinforcement

In October 1999 the United States Federal Energy Regulatory Commission (FERC) mandated that the Company reinforce its Lake Murray dam in order to comply with new federal safety standards and maintain the lake in case of an extreme earthquake. Construction for the project and related activities, which began in the third quarter of 2001, is expected to cost approximately \$275 million and be completed in 2005. Costs incurred through June 30, 2003 totaled approximately \$105 million.

B. Nuclear Insurance

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

The Price-Anderson Indemnification Act expired in August 2002, but is expected to renew with only modest changes in 2003. This has no impact on the Company at present due to the "grandfathered" status of existing licensees that are covered under the past act until such time as it is renewed.

The Company currently maintains policies (for itself and on behalf of Santee Cooper) with Nuclear Electric Insurance Limited. The policies, covering the nuclear facility for property damage, excess property damage and outage costs, permit assessments under certain conditions to cover insurer's losses. Based on the current annual premium, the Company's portion of the retrospective premium assessment would not exceed \$15.8 million.

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

C. Environmental

The Company maintains an environmental assessment program to identify and evaluate current and former operations sites that could require environmental cleanup. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and clean up each site. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and cleanup relate solely to regulated operations.

At the Company, site assessment and cleanup costs are deferred and amortized with recovery provided through rates. Deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled \$8.2 million at June 30, 2003. The deferral includes the estimated costs associated with the following matters.

The Company owns a decommissioned MGP site in the Calhoun Park area of Charleston, South Carolina. The site is currently being remediated for benzene contamination in the intermediate aquifer on surrounding properties. SCE&G anticipates that the remaining remediation activities will be completed in 2003, with certain monitoring and retreatment activities continuing until 2007. As of June 30, 2003, the Company has spent approximately \$18.7 million to remediate the Calhoun Park site. Total remediation costs are estimated to be \$21.2 million.

The Company owns three other decommissioned MGP sites in South Carolina which contain residues of by-product chemicals. Two of these sites are currently being remediated under work plans approved by DHEC. In addition, in March 2003 the Company signed a consent agreement with DHEC related to a site formerly owned by the Company. The site contained residue material that was moved from the Columbia MGP. The removal action for this site has been completed. The Company is continuing to investigate the remaining site and is monitoring the nature and extent of residual contamination. The Company anticipates that major remediation activities for the three owned sites will be completed before 2006. The Company has spent approximately \$2.3 million related to all of these sites, and expects to spend an additional \$5.7 million.

6. SEGMENT OF BUSINESS INFORMATION

The Company's reportable segments are listed in the following table. The Company uses operating income to measure profitability for its regulated operations. Therefore, net income is not allocated to the Electric Operations and Gas Distribution segments. Accumulated depreciation is not assignable to Electric Operations and Gas Distribution segments; therefore, it is reflected as an adjustment to arrive at the consolidated total assets. Intersegment revenues were not significant.

Disclosure of Reportable Segments (Millions of Dollars)

Three months ended June 30,	2003			2002		
	External Revenue	Operating Income (Loss)	Segment Assets	External Revenue	Operating Income (Loss)	Segment Assets
Electric Operations	\$358	\$93	\$5,865	\$350	\$83	\$5,306
Gas Distribution	64	(5)	454	53	(4)	435
All Other	-	-	-	-	-	4
Adjustments/Eliminations	-	-	(483)	-	-	(541)
Consolidated Total	\$422	\$88	\$5,807	\$403	\$79	\$5,204

Six months ended June 30,	2003			2002		
	External Revenue	Operating Income (Loss)	Segment Assets	External Revenue	Operating Income (Loss)	Segment Assets
Electric Operations	\$695	\$174	\$5,865	\$654	\$167	\$5,306
Gas Distribution	204	12	454	160	12	435
All Other	-	-	-	-	-	4
Adjustments/Eliminations	-	-	(483)	-	(1)	(541)
Consolidated Total	\$899	\$186	\$5,807	\$814	\$178	\$5,204

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in South Carolina Electric & Gas Company's (SCE&G) Annual Report on Form 10-K for the year ended December 31, 2002.

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

COMPETITION

Electric Operations

In South Carolina electric restructuring efforts remain stalled, and the state legislature adjourned for the year without considering electric restructuring legislation. At the federal level, energy legislation passed both houses of Congress in 2003, though significant differences exist between the House and Senate versions. Some of the more stringent provisions of this legislation, either currently included or expected to be debated in conference committee, would require that one percent of the electric energy sold by retail electric suppliers, beginning in 2005, escalating to ten percent by 2020, be generated from renewable energy resources. Renewable energy resources, as defined in the legislation, may exclude hydroelectric generation. Substantial penalties would be levied for failure to comply. Electric cooperatives and municipal utilities would be exempt from these requirements. SCE&G cannot predict whether such legislation will be enacted, and if it is, the conditions it would impose on utilities.

In July 2002 the United States Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) on Standard Market Design (SMD) which proposes sweeping changes to the country's existing regulatory framework governing transmission, open access and energy markets and will attempt, in large measure, to standardize the national energy market. If implemented, the proposed rule may have a significant impact on SCE&G's access to or cost of power for its native load customers and on SCE&G's marketing of power outside its service territory. On April 28, 2003 FERC issued a "white paper" regarding SMD which describes how the final SMD rule will differ from the NOPR. SCE&G is currently evaluating FERC's actions to determine potential effects on SCE&G's operations. Additional directives from FERC are expected.

Gas Distribution

Natural gas competes with electricity, propane and heating oil to serve the heating and, to a lesser extent, the other household energy needs of residential and small commercial customers. This competition is generally based on price and convenience. Large commercial and industrial customers often have the ability to switch from natural gas to an alternate fuel, such as propane or fuel oil. Natural gas competes with these alternate fuels based on price. As a result, any significant disparity between supply and demand, either of natural gas or of alternate fuels, and due either to production or delivery disruptions or other factors, will affect the price and impact SCE&G's ability to retain large commercial and industrial customers on a monthly basis.

LIQUIDITY AND CAPITAL RESOURCES

SCE&G's cash requirements arise primarily from its operational needs, funding its construction program and payment of dividends to SCANA. The ability of SCE&G to replace existing plant investment, as well as to expand to meet future demand for electricity and gas, will depend upon its ability to attract the necessary financial capital on reasonable terms. SCE&G recovers the costs of providing services through rates charged to customers. Rates for regulated services are generally based on historical costs. As customer growth and inflation occur and SCE&G continues its ongoing construction program, SCE&G expects to seek increases in rates. SCE&G's future financial position and results of operations will be affected by its ability to obtain adequate and timely rate and other regulatory relief, if requested.

In January 2003 the Public Service Commission of South Carolina (SCPSC) issued an order granting SCE&G an increase in retail electric rates of 5.8% which is designed to produce additional annual revenues of approximately \$70.7 million based on a test year calculation. The SCPSC authorized a return on common equity of 12.45%. The new rates were effective for service rendered on and after February 1, 2003. As a part of the order, the SCPSC extended through 2005 its approval of the accelerated capital recovery plan for SCE&G's Cope Generating Station. Under the plan, based on the level of revenues and operating expenses, SCE&G may increase depreciation of its Cope Generating Station in excess of amounts that would be recorded based upon currently approved depreciation rates, not to exceed \$36 million annually without the approval of the SCPSC. Any unused portion of the \$36 million in any given year may be carried forward for possible use in the following year.

The following table summarizes how SCE&G generated and used funds for property additions and construction expenditures during the six months ended June 30, 2003 and 2002:

Millions of dollars	Six Months Ended	
	June 30,	
	2003	2002
Net cash provided from operating activities	\$215	\$59
Net cash provided from financing activities	122	161
Funds used for investments	(8)	(3)
Cash and temporary cash investments available at the beginning of the period	(56)	37
Funds used for utility property additions and construction expenditures, net of noncash allowance for funds used during construction	\$(304)	\$(238)

SCE&G expects that it has or can obtain adequate sources of financing to meet its projected cash requirements for the next 12 months and for the foreseeable future. SCE&G's ratio of earnings to fixed charges for the 12 months ended June 30, 2003 was 3.33.

CAPITAL TRANSACTIONS

On January 23, 2003 SCE&G issued \$200 million of First Mortgage Bonds having an annual interest rate of 5.80% and maturing January 15, 2033. The proceeds from the sale of these bonds were used to reduce short-term debt and for general corporate purposes.

On May 21, 2003 SCE&G issued \$300 million First Mortgage Bonds having an annual interest rate of 5.30% and maturing on May 15, 2033. SCE&G used the net proceeds from the sale of these bonds and certain other SCE&G funds to redeem its \$100 million principal amount of 7.625% First Mortgage Bonds due June 15, 2023, its \$150 million principal amount of 7.50% First Mortgage Bonds due June 1, 2023 and its Junior Subordinated Debentures which effected the redemption of \$50 million aggregate amount of 7.55% Trust Preferred Securities, Series A, issued by SCE&G Trust I.

CAPITAL PROJECTS

In May 2002 SCE&G began construction of an 875 megawatt generation facility in Jasper County, South Carolina to supply electricity to its South Carolina customers. The facility will include three natural gas combustion-turbine generators and one steam-turbine generator. The \$450 million facility is expected to begin commercial operation in mid-2004, and SCG Pipeline, Inc., an affiliate, will transport natural gas to the facility.

In October 1999 FERC mandated that SCE&G reinforce its Lake Murray dam in order to comply with new federal safety standards and maintain the lake in case of an extreme earthquake. Construction for the project and related activities, which began in the third quarter of 2001, is expected to cost approximately \$275 million and be completed in 2005. Costs incurred through June 30, 2003 totaled approximately \$105 million.

In 2002 SCE&G entered into an agreement with the South Carolina Transportation Infrastructure Bank (the Bank) and the South Carolina Department of Transportation (SCDOT) that allows SCE&G to borrow funds from the Bank to construct a roadbed for SCDOT in connection with the above Lake Murray dam remediation project. The loan agreement provides for interest-free borrowings for costs incurred not to exceed \$59 million, with such borrowings being repaid over ten years from the initial borrowing. At June 30, 2003 SCE&G has not yet borrowed under the agreement.

Environmental Matters

For information on environmental matters see Note 5C of Notes To Condensed Consolidated Financial Statements.

Other Matters

Nuclear Station License Extension

In August 2002 SCE&G filed an application with the Nuclear Regulatory Commission (NRC) for a 20-year license extension for its V. C. Summer Nuclear Station (Summer Station). If approved, the extension would allow the plant to operate through 2042. At June 30, 2003 SCE&G had capitalized approximately \$9 million related to the application process and expects to capitalize an additional \$3 million. SCE&G expects the extension to be granted in mid-2004.

Off-Balance Sheet Arrangement

During the formation of South Carolina Generating Company, Inc. (GENCO) (a wholly owned subsidiary of SCANA) in 1994, SCE&G's \$36 million Berkeley County Pollution Control Facilities Revenue Bonds (Berkeley Bonds) were transferred to GENCO. SCANA is a guarantor of the Berkeley Bonds. In addition, holders of Berkeley Bonds may have recourse against SCE&G in the event of default by GENCO.

Synthetic Fuel

SCE&G holds two equity-method investments in partnerships involved in converting coal to non-conventional fuel, the use of which fuel qualifies for federal income tax credits. The aggregate investment in these partnerships as of June 30, 2003 is approximately \$4 million, and through June 30, 2003, they have generated and passed through to SCE&G approximately \$74 million in such tax credits.

Under a plan approved by the SCPSC, any tax credits generated and ultimately passed through SCE&G from synfuel produced and consumed by SCE&G have been and will be deferred and will be applied to offset the capital costs of projects required to comply with legislative or regulatory actions. See Note 1A of Notes to Consolidated Financial Statements.

On June 27, 2003 the Internal Revenue Service (IRS) announced that it is reviewing the scientific validity of certain test procedures and results that have been presented as evidence that solid coal-based synthetic fuels have undergone a significant chemical change. Pending completion of this review, the IRS has suspended the issuance of Private Letter Rulings on the question of significant chemical change for requests that rely on the testing procedures and results being reviewed. After the IRS concludes its review, which may occur before the end of 2003, the IRS may seek to disallow synfuel tax credits retroactively, prospectively or both. Although one of the partnerships in which SCE&G owns an interest is currently under audit by the IRS, there have been no issues raised with respect to the validity with respect to the validity of synthetic fuel tax credits. While SCE&G is not able to determine what conclusion the IRS will reach, to the extent the IRS disallows synfuel tax credits, the Company's and SCE&G's financial position, results of operations and cash flows would not be materially adversely affected.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003 AS COMPARED TO THE CORRESPONDING PERIODS IN 2002

Net Income

Net income for the second quarter and year to date periods ended June 30, 2003 and 2002 was as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Net income	\$39.9	\$39.4	\$0.5	1.3%	\$87.0	\$91.4	\$(4.4)	(4.8%)

Second Quarter 2003 vs 2002

Net income increased slightly due to higher electric margins of \$20.8 million and higher gas margins of \$0.4 million which were partially offset by higher operation and maintenance expense of \$4.0 million, higher depreciation expense of \$5.1 million, higher interest expense of \$4.9 million, higher property taxes of \$2.6 million and lower equity AFC of \$1.6 million.

Year to Date 2003 vs 2002

Net income decreased primarily due to higher operation and maintenance expense of \$22.1 million, higher depreciation expense of \$10.9 million, higher interest expense of \$9.0 million, higher property taxes of \$5.1 million and lower equity AFC of \$3.5 million, which were partially offset by higher electric margins of \$41.8 million and higher gas margins of \$5.9 million.

Pension Income

For the last several years, the market value of SCE&G's retirement plan (pension) assets has exceeded the total actuarial present value of accumulated plan benefits. Pension income for the second quarter of 2003 decreased significantly compared to corresponding periods in 2002 primarily as a result of a less favorable investment market. Pension income during these periods was recorded on SCE&G's financial statements as follows:

Millions of dollars	Second Quarter		Year to Date	
	2003	2002	2003	2002
Income Statement Impact:				
(Increase) Decrease in employee benefit costs	\$(0.8)	\$3.1	\$(1.4)	\$6.5
Increase in other income	1.9	1.8	3.9	3.9
Balance Sheet Impact:				
(Increase) Decrease in capital expenditures	(0.2)	1.0	(0.4)	1.9
(Increase) Decrease in amount due to Summer Station co-owner	(0.1)	0.3	(0.1)	0.6
Total Pension Income	\$0.8	\$6.2	\$2.0	\$12.9

Allowance for Funds Used During Construction (AFC)

AFC is a utility accounting practice whereby a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the balance sheet as construction work in progress) is capitalized. SCE&G includes an equity portion of AFC in nonoperating income and a debt portion of AFC in interest charges (credits) as noncash items, both of which have the effect of increasing reported net income. The decrease in AFC for the three and six months ended June 30, 2003 is primarily the result of the completion of the Urquhart Station repowering project in June 2002. In addition, in January 2003 the SCPSC issued an order allowing SCE&G to include all Jasper County Generating project expenditures as of December 31, 2002 and other construction work in progress expenditures as of June 30, 2002 in electric rate base. At the time the expenditures were included in rate base, AFC was no longer calculated on those amounts. These decreases were partially offset by increased construction expenditures related to the Jasper County Generating Station project in 2003 and the Lake Murray Dam project (see discussion at CAPITAL PROJECTS).

Dividends Declared

SCE&G's Board of Directors has declared the following dividends on common stock held by SCANA during 2003:

Declaration Date	Amount	Quarter Ended	Payment Date
February 20, 2003	\$35.3 million	March 31, 2003	April 1, 2003
May 1, 2003	\$36.5 million	June 30, 2003	July 1, 2003
July 31, 2003	\$37.0 million	September 30, 2003	October 31, 2003

Electric Operations

Electric Operations is comprised of the electric portion of SCE&G and South Carolina Fuel Company, Inc. Changes in the electric operations sales margins were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating Revenues	\$357.8	\$349.6	\$8.2	2.3%	\$695.2	\$653.9	\$41.3	6.3%
Less: Fuel used in generation	70.8	75.2	(4.4)	(5.9%)	139.9	130.7	9.2	7.0%
Purchased power	33.9	42.1	(8.2)	(19.5%)	65.3	75.0	(9.7)	(12.9%)
Margin	\$253.1	\$232.3	\$20.8	9.0%	\$490.0	\$448.2	\$41.8	9.3%

Second Quarter 2003 vs 2002

Margin increased by \$20.4 million due to the increase in retail electric base rates approved in January 2003 and by customer growth of \$7.4 million partially offset by less favorable weather of \$7.9 million. Fuel used in generation and purchased power decreased due to milder weather that resulted in a 1.6% decline in total kilowatt-hour sales.

Year to Date 2003 vs 2002

Margin increased by \$30.1 million due to the increase in retail electric base rates approved in January 2003 and by \$13.8 million due to customer growth and increased consumption partially offset by the effects of less favorable weather of \$2.3 million. Fuel used in generation increased and purchased power decreased due to a planned outage at GENCO.

Gas Distribution

Gas Distribution is comprised of the local distribution operations of SCE&G. Changes in the gas distribution sales margins were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Operating Revenues	\$63.9	\$53.0	\$10.9	20.6%	\$204.0	\$160.1	\$43.9	27.4%
Less: Gas purchased for resale	50.1	39.6	10.5	26.5%	150.3	112.3	38.0	33.8%
Margin	\$13.8	\$13.4	\$0.4	3.0%	\$53.7	\$47.8	\$5.9	12.3%

Second Quarter 2003 vs 2002

Margin increased primarily due to increased recovery of environmental remediation expenses (offset in operations and maintenance) of \$0.3 million and customer growth and increased consumption of \$1.3 million partially offset by a decrease in industrial usage of \$1.2 million due to an unfavorable competitive position of natural gas relative to alternate fuels.

Year to Date 2003 vs 2002

Margin increased primarily due to customer growth and increased consumption of \$1.3 million and recovery of environmental remediation expenses of \$1.6 million (offset in operations and maintenance), partially offset by a decrease in industrial usage of \$1.4 million due to an unfavorable competitive position of natural gas relative to alternate fuels.

Other Operating Expenses

Changes in other operating expenses were as follows:

Millions of dollars	Second Quarter				Year to Date			
	2003	2002	Change		2003	2002	Change	
Other operation and maintenance	\$100.8	\$96.8	\$4.0	4.1%	\$201.7	\$179.6	\$22.1	12.3%
Depreciation and amortization	47.6	42.5	5.1	12.0%	94.9	84.0	10.9	13.0%
Other taxes	30.7	27.8	2.9	10.4%	60.6	54.3	6.3	11.6%
Total	\$179.1	\$167.1	\$12.0	7.2%	\$357.2	\$317.9	\$39.3	12.4%

Second Quarter 2003 vs 2002

Other operation and maintenance expenses increased primarily due to reduced pension income of \$3.9 million and increased labor and benefit costs of \$1.1 million. Depreciation and amortization expense increased by \$3.5 million due to normal net property changes and by \$1.6 million due to the completion of the Urquhart Station repowering project in June 2002. Other taxes increased primarily due to increased property taxes.

Year to Date 2003 vs 2002

Other operation and maintenance expenses increased primarily due to reduced pension income of \$7.9 million, increased labor and benefits costs of \$4.0 million, increased healthcare cost of \$4.2 million, increased environmental remediation costs of \$1.6 million and increased other operating expenses for electric generation and transmission of \$2.5 million. Depreciation and amortization expense increased by \$6.7 million due to normal net property additions and by \$4.2 million due to the completion of the Urquhart Station repowering project in June 2002. Other taxes increased primarily due to increased property taxes.

Other Income

Other income for second quarter and year to date 2003 vs 2002, including AFC, decreased primarily due to completion of the Urquhart Station Repowering project in June 2002. In addition, in January 2003 the SCPSC issued an order allowing SCE&G to include all Jasper County Generating Project expenditures as of December 31, 2002 and other construction work in progress expenditures as of June 30, 2002 in electric rate base. At the time the expenditures were included in rate base, AFC was no longer calculated on those amounts. These decreases were partially offset by the Jasper County Generation Station project and Lake Murray Dam Project.

Interest Expense

Second Quarter 2003 vs 2002

Interest expense increased by \$6.2 million due to increased long-term debt and by \$1.3 million due to lower AFC. These increases were partially offset by \$2.4 million due to lower interest rates.

Year to Date 2003 vs 2002

Interest expense increased by \$10.9 million due to increased long-term debt and by \$2.8 million due to lower AFC. These increases were partially offset by \$4.9 million due to lower interest rates.

Income Taxes

Income taxes changed primarily as a result of changes in operating income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

All financial instruments held by SCE&G and described below are held for purposes other than trading.

Interest rate risk - The table below provides information about long-term debt issued by SCE&G which is sensitive to changes in interest rates. For debt obligations the table presents principal cash flows and related weighted average interest rates by expected maturity dates. Fair values for debt represent quoted market prices.

As of June 30, 2003

Millions of dollars

Liabilities	<u>Expected Maturity Date</u>						Total	Fair Value
	2003	2004	2005	2006	2007	There-after		
Long-Term Debt:								
Fixed Rate (\$)	145.8	138.4	188.4	169.1	38.2	1,430.6	2,110.5	2,086.1
Average Interest Rate (%)	6.29	7.44	7.35	8.49	6.74	6.22	6.60	

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

Item 4. Controls and Procedures

As of June 30, 2003 an evaluation was performed under the supervision and with the participation of SCE&G's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of SCE&G's disclosure controls and procedures. Based on that evaluation, SCE&G's management, including the CEO and CFO, concluded that as of June 30, 2003 SCE&G's disclosure controls and procedures were effective. There has been no change in SCE&G's internal control over financial reporting during the quarter ended June 30, 2003 that has materially affected or is reasonably likely to materially affect SCE&G's internal control over financial reporting.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
FINANCIAL SECTION

Public Service Company of North Carolina, Incorporated meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and therefore is filing this form with the reduced disclosure format allowed under General Instruction H(2).

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

Millions of dollars	June 30, 2003	December 31, 2002
Assets		
Gas Utility Plant	\$918	\$895
Accumulated depreciation	(336)	(318)
Acquisition adjustment, net of accumulated amortization	210	210
Gas Utility Plant, Net	792	787
Nonutility Property and Investments, Net	27	28
Current Assets:		
Cash and temporary investments	4	1
Restricted cash and temporary investments	7	7
Receivables, net of allowance for uncollectible accounts of \$2 and \$2	48	98
Receivables-affiliated companies	13	14
Inventories (at average cost):		
Stored gas	37	38
Materials and supplies	5	6
Prepayments	1	1
Deferred income taxes, net	3	3
Total Current Assets	118	168
Deferred Debits:		
Due from affiliate-pension asset	14	14
Regulatory assets	32	20
Other	6	7
Total Deferred Debits	52	41
Total	\$989	\$1,024
Capitalization and Liabilities		
Capitalization:		
Common equity	503	\$487
Long-term debt, net	283	286
Total Capitalization	786	773
Current Liabilities:		
Short-term borrowings	-	31
Current portion of long-term debt	8	8
Accounts payable	28	44
Accounts payable-affiliated companies	8	7
Customer prepayments and deposits	7	12
Taxes accrued	2	5
Interest accrued	5	6
Distributions/dividends declared	5	5
Other	10	11
Total Current Liabilities	73	129
Deferred Credits:		
Deferred income taxes, net	92	91
Deferred investment tax credits	2	2
Due to affiliate-postretirement benefits	16	16
Regulatory liabilities	9	1
Other	11	12
Total Deferred Credits	130	122
Total	\$989	\$1,024

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Operating Revenues	\$82	\$49	\$284	\$183
Cost of Gas	52	21	183	88
Gross Margin	30	28	101	95
Operating Expenses:				
Operation and maintenance	19	16	37	34
Depreciation	9	9	17	17
Other taxes	2	2	4	4
Total Operating Expenses	30	27	58	55
Operating Income	-	1	43	40
Other Income, Including Allowance for Equity Funds Used During Construction	2	1	4	2
Interest Charges, Net of Allowance for Borrowed Funds Used During Construction	5	5	10	11
Income (Loss) Before Income Tax Expense (Benefit) and Cumulative Effect of Accounting Change	(3)	(3)	37	31
Income Tax Expense (Benefit)	(1)	(1)	14	12
Income (Loss) Before Cumulative Effect of Accounting Change	(2)	(2)	23	19
Cumulative Effect of Accounting Change, Net of Taxes	-	-	-	(230)
Net Income (Loss)	\$(2)	\$(2)	\$23	\$(211)

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Millions of dollars	Six Months Ended June 30,	
	2003	2002
Cash Flows From Operating Activities:		
Net income (loss)	\$23	\$(211)
Adjustments to reconcile net income to net cash provided from operating activities:		
Cumulative effect of accounting change, net of taxes	-	230
Depreciation	18	19
Allowance for funds use during construction	(1)	-
Over (under) collection, gas cost adjustment clause	(4)	(15)
Changes in certain assets and liabilities:		
(Increase) decrease in receivables, net	51	43
(Increase) decrease in inventories	2	13
Increase (decrease) in accounts payable and advances	(15)	(26)
Increase (decrease) in deferred income taxes, net	1	1
Increase (decrease) in taxes accrued	(3)	(4)
Changes in other assets	2	1
Changes in other liabilities	(6)	3
Net Cash Provided From Operating Activities	68	54
Cash Flows From Investing Activities:		
Construction expenditures	(22)	(24)
Nonutility and other	(1)	-
Net Cash Used For Investing Activities	(23)	(24)
Cash Flows From Financing Activities:		
Repayment of short-term borrowings, net	(31)	-
Capital contributions from parent	2	1
Retirement of long-term debt	(3)	-
Distributions/dividend payments	(10)	(5)
Net Cash Used For Financing Activities	(42)	(4)
Net Increase In Cash and Temporary Investments	3	26
Cash and Temporary Investments, January 1	1	18
Cash and Temporary Investments, June 30	\$4	\$44
Supplemental Cash Flow Information:		
Cash paid for - Interest (net of capitalized interest of \$0.6 and \$0.5)	\$9	\$9
- Income taxes	17	16

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net Income (Loss)	\$(2)	\$(2)	\$23	\$(211)
Other Comprehensive Income (Loss), net of tax:				
Unrealized gains (losses) on hedging activities	-	-	-	-
Total Comprehensive Income (Loss)⁽¹⁾	\$(2)	\$(2)	\$23	\$(211)

⁽¹⁾ Accumulated other comprehensive income (loss) of the Company totaled \$(1.3) million and \$(1.3) million as of June 30, 2003 and December 31, 2002, respectively.

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003
(Unaudited)

The following notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in Public Service Company of North Carolina, Incorporated's (the Company) Annual Report on Form 10-K for the year ended December 31, 2002. These are interim financial statements, and due to the seasonality of the Company's business, the amounts reported in the Condensed Consolidated Statements of Operations are not necessarily indicative of amounts expected for the year. In the opinion of management, the information furnished herein reflects all adjustments, all of a normal recurring nature, which are necessary for a fair statement of the results for the interim periods reported.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 requires cost-based rate-regulated utilities to recognize in their financial statements revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result, the Company has recorded as of June 30, 2003 approximately \$32 million and \$9 million of regulatory assets and liabilities, respectively, as shown below.

Millions of dollars	June 30, 2003	December 31, 2002
Excess deferred income taxes	\$-	\$(1)
Under-collections-gas cost adjustment clause	14	11
Deferred environmental remediation costs	9	9
Total	\$23	\$19

Excess deferred income taxes represent deferred income taxes recorded in prior years at a rate higher than the current statutory rate. Pursuant to a North Carolina Utilities Commission (NCUC) order, the Company is required to refund these amounts to customers through a rate decrement.

Under-collections-gas cost adjustment clause represent amounts under-collected from customers pursuant to the Company's Rider D mechanism approved by the NCUC. This mechanism allows the Company to recover all prudently incurred gas costs.

Deferred environmental remediation costs represent costs associated with the assessment and cleanup of manufactured gas plant (MGP) sites currently or formerly owned by the Company. Management believes that all MGP cleanup costs will be recoverable through gas rates. A portion of the costs incurred are being recovered through rates, and management believes the remaining costs of approximately \$7.6 million will be recoverable in the future. Amounts incurred to date that have not been recovered through gas rates are approximately \$1.3 million. (See Note 5.)

The NCUC has reviewed and approved through specific orders most of the items shown as regulatory assets. Other items represent costs which are not yet approved for recovery by the NCUC. In recording these costs as regulatory assets, management believes the costs will be allowable under existing rate-making concepts that are embodied in rate orders received by the Company. However, ultimate recovery is subject to NCUC approval. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company's results of operations in the period the write-off would be recorded, but it is not expected that cash flows or financial position would be materially adversely affected.

B. New Accounting Standards

The Company adopted SFAS 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. In connection with this implementation, the Company performed a valuation analysis of its acquisition adjustment using an independent appraisal. The analysis indicated that the carrying amount of the acquisition adjustment exceeded its fair value by approximately \$230 million. The resulting impairment charge is reflected on the Condensed Consolidated Statement of Operations as the cumulative effect of an accounting change. SFAS 142 requires that an impairment evaluation be performed annually and at the same time each year. The Company performed its annual evaluation as of January 1, 2003 and no further impairment was indicated.

The Company adopted SFAS 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. SFAS 143 applies to legal obligations associated with the retirement of tangible long-lived assets (ARO) and requires the Company to recognize, as a liability, the fair value of an ARO in the period in which it is incurred and to accrete the liability to its present value in future periods. The Company believes that any ARO related to the Company's property would be insignificant and, due to the indeterminate life of the related assets, an ARO could not be reasonably estimated.

The Company adopted SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," effective January 1, 2003. The provisions of SFAS 145, among other things, discontinue treatment of gains or losses from the early extinguishment of debt as extraordinary items unless such early extinguishment meets the criteria of Accounting Principles Board Opinion (APB) 30. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 145.

The Company adopted SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities," effective January 1, 2003. This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 146.

SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued in April 2003. SFAS 149 amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 is not expected to have a material impact on the Company's results of operations, cash flows or financial position.

SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued in May 2003. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. There was no impact on the Company's results of operations, cash flows or financial position from the initial adoption of SFAS 150.

C. Reclassifications

Certain amounts from prior periods have been reclassified to conform with the presentation adopted for 2003.

2. ACCOUNTING CHANGE

As a result of the January 1, 2002 adoption of SFAS 142, the Company recorded a \$230 million impairment charge related to the acquisition adjustment which had been recorded in connection with its acquisition by SCANA Corporation. The charge is reflected on the Condensed Consolidated Statements of Operations as the cumulative effect of an accounting change. See additional information at Note 1B.

3. RATE AND OTHER REGULATORY MATTERS

The Company's rates are established using a benchmark cost of gas approved by the NCUC, which may be modified periodically to reflect changes in the market price of natural gas. The Company revises its tariffs with the NCUC as necessary to track these changes and accounts for any over- or under-collections of the delivered cost of gas in its deferred accounts for subsequent rate consideration. The NCUC reviews the Company's gas purchasing practices annually.

The Company's benchmark cost of gas in effect during the period January 1, 2002 through June 30, 2003 was as follows:

<u>Rate Per Therm</u>	<u>Effective Date</u>	<u>Rate Per Therm</u>	<u>Effective Date</u>
\$.460	January-February 2003	\$.300	January 2002
\$.595	March 2003	\$.215	February-June 2002
\$.725	April-June 2003	\$.350	July-October 2002
		\$.410	November-December 2002

On April 24, 2003 the NCUC issued an order in the Company's 2002 Annual Prudence Review. The NCUC determined that the Company's gas costs during the 12-month review period ended March 31, 2002 were reasonable and prudently incurred. The NCUC also authorized new temporary rate decrements to refund certain balances in deferred accounts.

On June 2, 2003 the Company filed testimony in the 2003 Annual Prudence Review based on the 12 months ended March 31, 2003. The NCUC will hold a hearing on August 12, 2003 to review the Company's filing.

A state expansion fund, established by the North Carolina General Assembly and funded by refunds from the Company's interstate pipeline transporters, provides financing for expansion into areas that otherwise would not be economically feasible to serve. In June 2000 the NCUC approved the Company's requests for disbursement of up to \$28.4 million from the Company's expansion fund to extend natural gas service to Madison, Jackson and Swain Counties in western North Carolina. The Company estimates that the cost of this project will be approximately \$31.4 million. The Madison County and Jackson County portions of the project were completed in 2002, and the Swain County portion is expected to be completed in the spring of 2004. Through June 30, 2003 approximately \$20 million had been spent on this project.

In December 1999 the NCUC issued an order approving SCANA's acquisition of the Company. As specified in the order, the Company agreed to a moratorium on general rate cases until August 2005. General rate relief can be obtained during this period to recover costs associated with material adverse governmental actions and force majeure events.

4. FINANCIAL INSTRUMENTS

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires the Company to recognize all derivative instruments as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. SFAS 133 further provides that changes in the fair value of derivative instruments are either recognized in earnings or reported as a component of other comprehensive income, depending upon the intended use of the derivative and the resulting designation. The fair value of the derivative instruments is determined by reference to quoted market prices of listed contracts, published quotations or quotations from independent parties.

On January 2, 2003 the Company filed a summary of its hedging program for natural gas purchases with the NCUC for informational purposes. The primary goal of the program is to reduce price volatility to firm customers. The program and any related transactions will be addressed in the August 2003 Annual Prudence Review with the NCUC. Transaction fees and any gains or losses are recorded in deferred accounts for subsequent rate consideration. As of June 30, 2003 the Company had deferred a net gain of approximately \$625 thousand.

The Company uses interest rate swap agreements to manage interest rate risk. These swap agreements provide for the Company to pay variable rate and receive fixed rate interest payments and are designated as fair value hedges of certain debt instruments. The Company may terminate a swap agreement and may replace it with a new swap also designated as a fair value hedge.

Payments received upon termination of a swap are recorded as basis adjustments to long-term debt and are amortized as reductions to interest expense over the term of the underlying debt. The fair value of interest rate swaps is recorded within other deferred debits on the balance sheet. The resulting credits serve to reflect the hedged long-term debt at its fair value. Periodic receipts or payments related to the interest rate swaps are credited or charged to interest expense as incurred.

At June 30, 2003 the estimated fair value of the Company's swaps totaled \$3.3 million related to combined notional amounts of \$37.4 million.

5. COMMITMENTS AND CONTINGENCIES

The Company is responsible for environmental cleanup at five sites in North Carolina on which MGP residuals are present or suspected. The Company's actual remediation costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other potentially responsible parties. The Company has recorded a liability and associated regulatory asset of \$7.6 million, which reflects the estimated remaining liability at June 30, 2003. Amounts incurred to date that have not been recovered through gas rates are approximately \$1.3 million. Management believes that all MGP cleanup costs will be recoverable through gas rates.

6. SEGMENT OF BUSINESS INFORMATION

Gas Distribution is the Company's only reportable segment. Gas Distribution uses operating income to measure profitability. Intersegment revenues between Gas Distribution and nonreportable segments were not significant.

Disclosure of Reportable Segments (Millions of dollars)

Three Months Ended June 30,	2003			2002		
	External Revenue	Operating Income	Segment Assets	External Revenue	Operating Income	Segment Assets
Gas Distribution	\$82	-	\$977	\$49	\$1	\$1,170
All Other	-	n/a	28	-	n/a	28
Adjustments/Eliminations	-	-	(16)	-	-	3
Consolidated Total	\$82	-	\$989	\$49	\$1	\$1,201

Six Months Ended June 30,	2003			2002		
	External Revenue	Operating Income	Segment Assets	External Revenue	Operating Income	Segment Assets
Gas Distribution	\$284	\$43	\$977	\$183	\$40	\$1,170
All Other	-	n/a	28	-	n/a	28
Adjustments/Eliminations	-	-	(16)	-	-	3
Consolidated Total	\$284	\$43	\$989	\$183	\$40	\$1,201

Item 2. Management's Narrative Analysis of Results of Operations.

**PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with Management's Narrative Analysis of Results of Operations appearing in Public Service Company of North Carolina, Incorporated's (PSNC Energy) Annual Report on Form 10-K for the year ended December 31, 2002.

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

Net Income (Loss) and Distributions/Dividends

Net income (loss) for the six months ended June 30, 2003 and 2002 was as follows:

Millions of dollars	Six Months Ended June 30,	
	2003	2002
Net income (loss)	\$22.6	\$(210.4)
Less: Cumulative effect of accounting change	-	(229.6)
Income before cumulative effect of accounting change	\$22.6	\$19.2

Income before cumulative effect of accounting change increased approximately \$3.4 million primarily due to increased margin of \$6.8 million and other income of \$2.1 million which were partially offset by higher operating expenses of \$3.5 million and higher income taxes of \$2.4 million.

In connection with the implementation of SFAS 142, PSNC Energy performed a valuation analysis of its acquisition adjustment using an independent appraisal. The analysis indicated that the carrying amount of the acquisition adjustment exceeded its fair value by \$230 million. As a result, PSNC Energy recorded an impairment charge of \$230 million effective January 1, 2002. The charge is presented on the Condensed Consolidated Statements of Operations as the Cumulative Effect of an Accounting Change. SFAS 142 requires that an impairment evaluation be performed annually and at the same time each year. PSNC Energy performed an annual evaluation as of January 1, 2003 and no further impairment was indicated.

The nature of PSNC Energy's business is seasonal. The quarters ending June 30 and September 30 are generally PSNC Energy's least profitable quarters due to decreased demand for natural gas related to space heating requirements.

PSNC Energy's Board of Directors has authorized the following distributions/dividends on common stock held by SCANA during 2003:

Declaration Date	Amount	Quarter Ended	Payment Date
February 20, 2003	\$4.5 million	March 31, 2003	April 1, 2003
May 1, 2003	\$4.5 million	June 30, 2003	July 1, 2003
July 31, 2003	\$4.0 million	September 30, 2003	October 1, 2003

Gas Distribution

Gas distribution is comprised of the local distribution operations of PSNC Energy. Changes in the gas distribution sales margins were as follows:

Millions of dollars	Six Months Ended June 30,			Change
	2003	2002		
Operating revenues	\$284.9	\$183.4	\$101.5	55.3%
Less: Cost of gas	183.4	88.7	94.7	106.8%
Gross margin	\$101.5	\$94.7	\$6.8	7.2%

Gas distribution sales margin for the six months ended June 30, 2003 increased primarily due to weather that was 13% colder than in 2002 and increased customer growth of approximately 2.8%. Revenues and cost of gas increased as a result of higher commodity natural gas prices.

Operation and Maintenance Expenses

Operation and maintenance expenses increased \$3.5 million for the six months ended June 30, 2003 compared to the same period in 2002 primarily due to increased labor and benefits costs of \$1.3 million, increased outside labor and general business expenses of \$0.9 million, increased bad debt expense of \$0.6 million and the impact of reduced pension income of \$0.6 million.

Other Income

Other income increased \$2.1 million compared to the same period in 2002 primarily due to income from secondary market activities, such as off-system gas sales and pipeline capacity release, and an increase in interest income on amounts under-collected from customers through the operation of the Rider D mechanism. This mechanism allows PSNC Energy to recover all prudently incurred gas costs.

Income Taxes

Income taxes changed primarily as a result of changes in operating and other income.

Capital Expansion Program and Liquidity Matters

PSNC Energy's capital expansion program includes the construction of lines, systems and facilities and the purchase of related equipment. PSNC Energy's 2003 construction budget is approximately \$46.7 million, compared to actual construction expenditures for 2002 of \$47.8 million. PSNC Energy's ratio of earnings to fixed charges for the 12 months ended June 30, 2003 was 2.95.

At June 30, 2003 PSNC Energy had no outstanding short-term borrowings and had unused lines of credit of \$125 million.

Item 4. Controls and Procedures

As of June 30, 2003 an evaluation was performed under the supervision and with the participation of PSNC Energy's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of PSNC Energy's disclosure controls and procedures. Based on that evaluation, PSNC Energy's management, including the CEO and CFO, concluded that as of June 30, 2003 PSNC Energy's disclosure controls and procedures were effective. There has been no change in PSNC Energy's internal control over financial reporting during the quarter ended June 30, 2003 that has materially affected or is reasonably likely to materially affect PSNC Energy's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following Legal Proceedings were pending at June 30, 2003. These proceedings affect SCANA Corporation and its subsidiaries (the Company) and, to the extent indicated, they also affect SCE&G or PSNC Energy.

Rate and Other Regulatory Matters

In May 2002 the SCPSC issued an order approving SCE&G's request to increase the fuel component of rates charged to electric customers from 1.579 cents per KWh to 1.722 cents per KWh. The increase reflects higher fuel costs projected for the period May 2002 through April 2003. The increase also provided continued recovery for under-collected actual fuel costs through April 2001, including short-term purchased power costs necessitated by outages at two of SCE&G's base load generating plants in winter 2000-2001. The new rates were effective as of the first billing cycle in May 2002. The Consumer Advocate of South Carolina appealed to the South Carolina Circuit Court (Circuit Court) the portion of the SCPSC's order related to the recovery of certain purchased power costs. The appeal is still pending.

In April 2003 the SCPSC issued an order approving SCE&G's request to maintain the fuel cost component of rates at 1.678 cents per KWh, effective May 1, 2003. The SCPSC also reaffirmed the prudence of SCE&G's purchasing practices and recognized the efficiency of SCE&G's electric generating plants; however, it deferred action on the recovery of certain purchased power costs pending the appeal to the Circuit Court of the SCPSC's May 2002 order.

On January 2, 2003 PSNC Energy filed a summary of its hedging program for natural gas purchases with the NCUC for informational purposes. The primary goal of the program is to reduce price volatility to firm customers. The program and any related transactions will be addressed in the August 2003 Annual Prudence Review with the NCUC. Transaction fees and any gains or losses are recorded in deferred accounts for subsequent rate consideration.

On June 2, 2003 PSNC Energy filed testimony in the 2003 Annual Prudence Review related to the 12 months ended March 31, 2003. The NCUC will hold a hearing on August 12, 2003 to review PSNC Energy's filing.

Lake Murray Dam Reinforcement

In October 1999 the United States Federal Energy Regulatory Commission (FERC) mandated that SCE&G reinforce its Lake Murray dam in order to comply with new federal safety standards and maintain the lake in case of an extreme earthquake. Construction for the project and related activities, which began in the third quarter of 2001 is expected to cost approximately \$275 million and be completed in 2005. Costs incurred through June 30, 2003 totaled approximately \$105 million.

Environmental

SCE&G owns a decommissioned MGP site in the Calhoun Park area of Charleston, South Carolina. The site is currently being remediated for benzene contamination in the intermediate aquifer on surrounding properties. SCE&G anticipates that the remaining remediation activities will be completed in 2003, with certain monitoring and retreatment activities continuing until 2007. As of June 30, 2003, SCE&G has spent approximately \$18.7 million to remediate the Calhoun Park site. Total remediation costs are estimated to be \$21.2 million.

SCE&G owns three other decommissioned MGP sites in South Carolina which contain residues of by-product chemicals. Two of these sites are currently being remediated under work plans approved by DHEC. SCE&G is continuing to investigate the remaining site and is monitoring the nature and extent of residual contamination. In addition, in March 2003 SCE&G signed a consent agreement with DHEC related to a site formerly owned by SCE&G. The site contained residue material that was moved from an MGP site. The removal action for this site has been completed. SCE&G anticipates that major remediation activities for the three owned sites will be completed

before 2006. SCE&G has spent approximately \$2.3 million related to all of these sites, and expects to spend an additional \$5.7 million.

PSNC Energy is responsible for environmental cleanup at five sites in North Carolina on which MGP residuals are present or suspected. PSNC Energy's actual remediation costs for these sites will depend on a number of factors, such as actual site conditions, third-party claims and recoveries from other potentially responsible parties.

PSNC Energy has recorded a liability and associated regulatory asset of \$7.6 million, which reflects the estimated remaining liability at June 30, 2003. Amounts incurred to date that have not been recovered through gas rates are approximately \$1.3 million. Management believes that all MGP cleanup costs incurred by PSNC Energy will be recoverable through gas rates.

Pending or Threatened Litigation

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

In 2001 a subsidiary of the Company entered into, in the ordinary course of business, a 15 year take-and-pay contract with an unaffiliated natural gas supplier to purchase 190,000 DT of natural gas per day beginning in the spring of 2004. In December 2002, as a result of the failure of supplier and its guarantor to meet contractual obligations related to credit support provisions, the subsidiary terminated the contract. A hearing under the binding arbitration provisions of the original contract is scheduled for September 2003. In initial pleadings for the hearing, the supplier has demanded payment of at least \$134 million in damages from the subsidiary; conversely, the subsidiary has demanded payment of no less than \$154 million in damages from the supplier. The Company is confident of the propriety of its actions, and the Company will vigorously pursue its position in the arbitration proceedings. The Company further believes that the resolution of these claims will not have a material adverse impact on its results of operations, cash flows or financial condition.

The Company, SCE&G and PSNC Energy are also engaged in various other claims and litigation incidental to its business operations which management anticipates will be resolved without material loss to the Company.

Item 2, 3, and 5 are not applicable.

Item 4. Submission of Matters to a Vote of Security-Holders (not applicable for South Carolina Electric & Gas Company and Public Service Company of North Carolina, Incorporated)

The Annual Meeting of Shareholders of SCANA Common Stock (No Par Value) was held on May 1, 2003. The following matters were voted upon at the meeting.

1. To elect four Class III Directors for the terms specified in the Proxy Statement.

<u>Nominee</u>	Number of Voting Shares Voting <u>For</u>	Number of Shares Voting to <u>Withhold Authority</u>	Total Shares <u>Voted</u>
James A. Bennett	91,305,994	2,798,210	94,104,204
William C. Burkhardt	92,802,195	1,302,009	94,104,204
Lynne M. Miller	92,824,202	1,280,002	94,104,204
Maceo K. Sloan	92,704,078	1,400,126	94,104,204

2. To approve the appointment of Deloitte & Touche as independent accountants for the Corporation.

	<u>Number of Shares</u>
FOR	90,601,340
AGAINST	3,035,804
ABSTAIN	<u>467,060</u>
TOTAL	94,104,204

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

SCANA Corporation, South Carolina Electric & Gas Company and Public Service Company of North Carolina, Incorporated:

Exhibits filed with this Quarterly Report on Form 10-Q are listed in the following Exhibit Index. Certain of such exhibits which have heretofore been filed with the Securities and Exchange Commission and which are designated by reference to their exhibit numbers in prior filings are hereby incorporated herein by reference and made a part hereof.

B. Reports on Form 8-K during the second quarter 2003 were as follows:

SCANA Corporation:
Date of report: April 25, 2003
Items reported: Items 7 and 9 (Item 12 disclosure)

South Carolina Electric & Gas Company:
Date of report: April 25, 2003
Items reported: Items 7 and 9 (Item 12 disclosure)

Date of report: May 16, 2003
Item reported: Items 5 and 7

Public Service Company of North Carolina, Incorporated:
Date of report: April 25, 2003
Item reported: Items 7 and 9 (Item 12 disclosure)

SIGNATURES

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

SCANA CORPORATION
SOUTH CAROLINA ELECTRIC & GAS COMPANY
PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
(Registrants)

August 8, 2003

By: s/James E. Swan, IV
James E. Swan, IV
Controller
(Principal accounting officer)

EXHIBIT INDEX

Exhibit No.	Applicable to Form 10-Q of			Description
	SCANA	SCE&G	PSNC Energy	
2.01	X		X	Agreement and Plan of Merger, dated as of February 16, 1999 as amended and restated as of May 10, 1999, by and among Public Service Company of North Carolina, Incorporated, SCANA Corporation, New Sub I, Inc. and New Sub II, Inc. (Filed as Exhibit 2.1 to Registration Statement No. 333-78227 on Form S-4)
3.01	X			Restated Articles of Incorporation of SCANA as adopted on April 26, 1989 (Filed as Exhibit 3-A to Registration Statement No. 33-49145)
3.02	X			Articles of Amendment of SCANA, dated April 27, 1995 (Filed as Exhibit 4-B to Registration Statement No. 33-62421)
3.03		X		Restated Articles of Incorporation of SCE&G, as adopted on May 3, 2001 (Filed as Exhibit 3.01 to Registration Statement No. 333-65460)
3.04		X		Articles of Amendment of SCE&G dated as of the dates indicated below and filed as exhibits to the Registration Statements or Exchange Act filings as set forth below <div style="margin-left: 40px;"> May 22, 2001 Exhibit 3.02 to Registration No. 333-65460 June 14, 2001 Exhibit 3.04 to Registration No. 333-65460 March 13, 2002 Exhibit 3.06 to Registration No. 333-101449 May 9, 2002 Exhibit 3.07 to Registration No. 333-101449 June 4, 2002 Exhibit 3.08 to Registration No. 333-101449 August 12, 2002 Exhibit 3.09 to Registration No. 333-101449 August 30, 2002 Exhibit 3.05 to Registration No. 333-101449 March 13, 2003 Exhibit 3.05 to Form 10-Q filed March 31, 2003 </div>
3.05		X		Articles of Amendment of SCE&G dated May 22, 2003 (Filed herewith)
3.06		X		Articles of Amendment of SCE&G, dated June 18, 2003 (Filed herewith)
3.07		X		Articles of Correction of SCE&G dated June 1, 2001 (Filed as Exhibit 3.03 to Registration Statement No. 333-65460)
3.08			X	Articles of Incorporation of PSNC Energy (formerly New Sub II, Inc.) dated February 12, 1999 (Filed as Exhibit 3.01 to Registration Statement No. 333-45206)
3.09			X	Articles of Amendment of PSNC Energy as adopted on February 10, 2000 (Filed as Exhibit 3.02 to Registration Statement No. 333-45206)
3.10			X	Articles of Correction of PSNC Energy dated February 11, 2000 (Filed as Exhibit 3.03 to Registration Statement No. 333-45206)
3.11	X			By-Laws of SCANA as revised and amended on December 13, 2000 (Filed as Exhibit 3.01 to Registration Statement No. 333-68266)
3.12		X		By-Laws of SCE&G as amended and adopted on February 22, 2001 (Filed as Exhibit 3.05 to Registration Statement No. 333-65460)

Exhibit No.	Applicable to Form 10-Q of			Description
	SCANA	SCE&G	PSNC Energy	
3.13			X	By-Laws of PSNC Energy as revised and amended on February 22, 2001 (Filed as Exhibit 3.01 to Registration Statement No. 333-68516)
4.01		X		Articles of Exchange of South Carolina Electric and Gas Company and SCANA Corporation (Filed as Exhibit 4-A to Post-Effective Amendment No. 1 to Registration Statement No. 2-90438)
4.02	X			Indenture dated as of November 1, 1989 between SCANA Corporation and The Bank of New York, as Trustee (Filed as Exhibit 4-A to Registration Statement No. 33-32107)
4.03	X	X		Indenture dated as of January 1, 1945, between the South Carolina Power Company and Central Hanover Bank and Trust Company, as Trustee, as supplemented by three Supplemental Indentures dated respectively as of May 1, 1946, May 1, 1947 and July 1, 1949 (Filed as Exhibit 2-B to Registration Statement No. 2-26459)
4.04	X	X		Fourth Supplemental Indenture dated as of April 1, 1950, to Indenture referred to in Exhibit 4.03, pursuant to which SCE&G assumed said Indenture (Filed as Exhibit 2-C to Registration Statement No. 2-26459)
4.05	X	X		Fifth through Fifty-third Supplemental Indentures to Indenture referred to in Exhibit 4.03 dated as of the dates indicated below and filed as exhibits to the Registration Statements whose file numbers are set forth below
				December 1, 1950 Exhibit 2-D to Registration No. 2-26459
				July 1, 1951 Exhibit 2-E to Registration No. 2-26459
				June 1, 1953 Exhibit 2-F to Registration No. 2-26459
				June 1, 1955 Exhibit 2-G to Registration No. 2-26459
				November 1, 1957 Exhibit 2-H to Registration No. 2-26459
				September 1, 1958 Exhibit 2-I to Registration No. 2-26459
				September 1, 1960 Exhibit 2-J to Registration No. 2-26459
				June 1, 1961 Exhibit 2-K to Registration No. 2-26459
				December 1, 1965 Exhibit 2-L to Registration No. 2-26459
				June 1, 1966 Exhibit 2-M to Registration No. 2-26459
				June 1, 1967 Exhibit 2-N to Registration No. 2-29693
				September 1, 1968 Exhibit 4-O to Registration No. 2-31569
				June 1, 1969 Exhibit 4-C to Registration No. 33-38580
				December 1, 1969 Exhibit 4-O to Registration No. 2-35388
				June 1, 1970 Exhibit 4-R to Registration No. 2-37363
				March 1, 1971 Exhibit 2-B-17 to Registration No. 2-40324
				January 1, 1972 Exhibit 2-B to Registration No. 33-38580
				July 1, 1974 Exhibit 2-A-19 to Registration No. 2-51291
				May 1, 1975 Exhibit 4-C to Registration No. 33-38580
				July 1, 1975 Exhibit 2-B-21 to Registration No. 2-53908
				February 1, 1976 Exhibit 2-B-22 to Registration No. 2-55304
				December 1, 1976 Exhibit 2-B-23 to Registration No. 2-57936
				March 1, 1977 Exhibit 2-B-24 to Registration No. 2-58662
				May 1, 1977 Exhibit 4-C to Registration No. 33-38580

Exhibit No.	Applicable to Form 10-Q of			Description		
	SCANA	SCE&G	PSNC Energy			
				February 1, 1978	Exhibit 4-C	to Registration No. 33-38580
				June 1, 1978	Exhibit 2-A-3	to Registration No. 2-61653
				April 1, 1979	Exhibit 4-C	to Registration No. 33-38580
				June 1, 1979	Exhibit 2-A-3	to Registration No. 33-38580
				April 1, 1980	Exhibit 4-C	to Registration No. 33-38580
				June 1, 1980	Exhibit 4-C	to Registration No. 33-38580
				December 1, 1980	Exhibit 4-C	to Registration No. 33-38580
				April 1, 1981	Exhibit 4-D	to Registration No. 33-49421
				June 1, 1981	Exhibit 4-D	to Registration No. 2-73321
				March 1, 1982	Exhibit 4-D	to Registration No. 33-49421
				April 15, 1982	Exhibit 4-D	to Registration No. 33-49421
				May 1, 1982	Exhibit 4-D	to Registration No. 33-49421
				December 1, 1984	Exhibit 4-D	to Registration No. 33-49421
				December 1, 1985	Exhibit 4-D	to Registration No. 33-49421
				June 1, 1986	Exhibit 4-D	to Registration No. 33-49421
				September 1, 1987	Exhibit 4-D	to Registration No. 33-49421
				January 1, 1989	Exhibit 4-D	to Registration No. 33-49421
				January 1, 1991	Exhibit 4-D	to Registration No. 33-49421
				July 15, 1991	Exhibit 4-D	to Registration No. 33-49421
				August 15, 1991	Exhibit 4-D	to Registration No. 33-49421
				April 1, 1993	Exhibit 4-E	to Registration No. 33-49421
				July 1, 1993	Exhibit 4-D	to Registration No. 33-57955
				May 1, 1999	Exhibit 4.04	to Registration No. 333-86387
4.06	X	X		Indenture dated as of April 1, 1993 from South Carolina Electric & Gas Company to NationsBank of Georgia, National Association (Filed as Exhibit 4-F to Registration Statement No. 33-49421)		
4.07	X	X		First Supplemental Indenture to Indenture referred to in Exhibit 4.06 dated as of June 1, 1993 (Filed as Exhibit 4-G to Registration Statement No. 33-49421)		
4.08	X	X		Second Supplemental Indenture to Indenture referred to in Exhibit 4.06 dated as of June 15, 1993 (Filed as Exhibit 4-G to Registration Statement No. 33-57955)		
4.09	X		X	Indenture dated as of January 1, 1996 between PSNC Energy and First Union National Bank of North Carolina, as Trustee (Filed as Exhibit 4.08 to Registration Statement No. 333-45206)		
4.10	X		X	First through Fourth Supplemental Indentures referred to Exhibit 4.09 dated as of the dates indicated below and filed as exhibits to the Registration Statements whose file numbers are set forth below		
				January 1, 1996	Exhibit 4.09	to Registration No. 333-45206
				December 15, 1996	Exhibit 4.10	to Registration No. 333-45206
				February 10, 2000	Exhibit 4.11	to Registration No. 333-45206
				February 12, 2001	Exhibit 4.05	to Registration No. 333-68516

Exhibit No.	Applicable to Form 10-Q of			Description
	SCANA	SCE&G	PSNC Energy	
4.11			X	PSNC Energy \$150 million medium-term note issued February 16, 2002 (Filed as Exhibit 4.06 to Registration Statement No. 333-68516)
*10.01	X			SCANA Executive Deferred Compensation Plan as amended February 20, 2003 (Filed herewith)
*10.02	X			SCANA Supplemental Executive Retirement Plan as amended July 1, 2001 (Filed as Exhibit 10.02 to Form 10-Q for the quarter ended September 30, 2001)
*10.03	X			SCANA Key Executive Severance Benefits Plan as amended July 1, 2001 (Filed as Exhibit 10.03 to Form 10-Q for the quarter ended September 30, 2001)
*10.04	X			SCANA Supplementary Key Executive Severance Benefits Plan as amended July 1, 2001 (Filed as Exhibit 10.03a to Form 10-Q for the quarter ended September 30, 2001)
*10.05	X			SCANA Long-Term Equity Compensation Plan dated January 2000 filed as Exhibit 4.04 to Registration Statement No. 333-37398)
*10.06	X			Request for Action by the SCANA Long-Term Equity Compensation Plan Committee of the Board dated August 1, 2002 (Filed herewith)
*10.07	X			Description of SCANA Whole Life Option (Filed as Exhibit 10-F to Form 10-K for the year ended December 31, 1991, under cover of Form SE, File No. 1-8809)
*10.08	X			Description of SCANA Corporation Executive Annual Incentive Plan (Filed as Exhibit 10-G to Form 10-K for the year ended December 31, 1991, under cover of Form SE, File No. 1-8809)
*10.09	X			SCANA Corporation Director Compensation and Deferral Plan effective January 1, 2001 (Filed herewith)
10.10			X	Operating Agreement of Pine Needle LNG Company, LLC dated August 8, 1995 (Filed as Exhibit 10.01 to Registration Statement No. 333-45206)
10.11			X	Amendment to Operating Agreement of Pine Needle LNG Company, LLC dated October 1, 1995 (Filed as Exhibit 10.02 to Registration Statement No. 333-45206)
10.12			X	Amended Operating Agreement of Cardinal Extension Company, LLC dated December 19, 1996 (Filed as Exhibit 10.03 to Registration Statement No. 333-45206)
10.13			X	Amended Construction, Operation and Maintenance Agreement by and between Cardinal Operating Company and Cardinal Extension Company, LLC dated December 19, 1996 (Filed as Exhibit 10.04 to Registration Statement No. 333-45206)

Exhibit No.	Applicable to Form 10-Q of			Description
	SCANA	SCE&G	PSNC Energy	
10.14			X	Form of Severance Agreement between PSNC Energy and its Executive Officers (Filed as Exhibit 10.05 to Registration Statement No. 333-45206)
10.15			X	Service Agreement between PSNC Energy and SCANA Services, Inc., effective April 1, 2000 (Filed as Exhibit 10.06 to Registration Statement No. 333-45206)
10.16		X		Service Agreement between SCE&G and SCANA Services, Inc., effective April 1, 2002 (Filed as Exhibit 10.01 to Registration Statement No. 333-101449)
31.1	X			Certification of Principal Executive Officer Required by Rule 13a-14 (Filed herewith)
31.2	X			Certification of Principal Financial Officer Required by Rule 13a-14 (Filed herewith)
31.3		X		Certification of Principal Executive Officer Required by Rule 13a-14 (Filed herewith)
31.4		X		Certification of Principal Financial Officer Required by Rule 13a-14 (Filed herewith)
31.5			X	Certification of Principal Executive Officer Required by Rule 13a-14 (Filed herewith)
31.6			X	Certification of Principal Financial Officer Required by Rule 13a-14 (Filed herewith)
32.1	X			Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)
32.2	X			Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)
32.3		X		Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)
32.4		X		Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)
32.5			X	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)
32.6			X	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Filed herewith)

* Management Contract or Compensatory Plan or Arrangement

CERTIFICATION

I, William B. Timmerman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SCANA Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, President,
Chief Executive Officer and Director

CERTIFICATION

I, Kevin B. Marsh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SCANA Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/Kevin B. Marsh
Kevin B. Marsh
Senior Vice President and Chief Financial Officer

CERTIFICATION

I, William B. Timmerman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of South Carolina Electric & Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, Chief Executive Officer
and Director

CERTIFICATION

I, Kevin B. Marsh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of South Carolina Electric & Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/Kevin B. Marsh
Kevin B. Marsh
Senior Vice President and Chief Financial Officer

CERTIFICATION

I, William B. Timmerman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Public Service Company of North Carolina, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, Chief Executive Officer
and Director

CERTIFICATION

I, Kevin B. Marsh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Public Service Company of North Carolina, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

s/Kevin B. Marsh
Kevin B. Marsh
Senior Vice President and Chief Financial Officer

SCANA CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of SCANA Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, President, Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SCANA CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of SCANA Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/Kevin B. Marsh

Kevin B. Marsh
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SOUTH CAROLINA ELECTRIC AND GAS COMPANY
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of South Carolina Electric and Gas Company (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of South Carolina Electric and Gas Company (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/Kevin B. Marsh
Kevin B. Marsh
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of Public Service Company of North Carolina, Incorporated (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/William B. Timmerman
William B. Timmerman
Chairman of the Board, Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of Public Service Company of North Carolina, Incorporated (the "Company") on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

s/Kevin B. Marsh
Kevin B. Marsh
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.