



WHAT'S IMPORTANT.



## Letter To Shareholders



Fellow Shareholders:

I am pleased to enclose our mid-year report for the six months ended June 30, 2005, with comparative financial data for the same period in 2004. We continue to execute our strategic plan as outlined in this past year's annual report, with a focus on what's important to the success of our business – earning customers' trust,

employees' respect, and shareholders' confidence.

SCANA's reported earnings, which are prepared in accordance with Generally Accepted Accounting Principles, were \$1.28 per share for the first six months of 2005, compared to \$1.45 per share for the same period last year. The lower earnings were primarily attributable to milder weather in our electric service territory, which reduced total kilowatt-hour sales of electricity by 4 percent compared to the same period in 2004. Earnings were also impacted by increases in operation and maintenance expenses, depreciation and interest expense, and to dilution resulting from the issuance of common stock through the Company's stock plans, proceeds of which are being applied to debt reduction. These factors more than offset the favorable impact of customer growth and the retail electric rate increase that was effective in January 2005. This year's earnings include a gain of 3 cents per share representing additional cash proceeds we received from the sale of one of our telecommunications investments several years ago.

Among the significant developments from the first half of 2005, we filed an application in April with the Public Service Commission of South Carolina requesting an overall increase of 7.09 percent in the base rate for natural gas customers of SCE&G. This request is largely related to recovering costs associated with expanding and operating SCE&G's natural gas infrastructure – costs that are necessary to ensure safe, reliable and efficient service to our customers. This is the first time in 16 years we've sought an increase in retail natural gas base rates. More information about the rate request is included inside this report.

Also in April, we filed a notice of intent with the Federal Energy Regulatory Commission to seek a new license for the Saluda Hydroelectric Project. This is the first step in a multi-year process that will determine operations and guide the management of multiple resources associated with the Project, including Lake Murray, for the next 30 to 50 years.

In June, we celebrated the completion of one of the largest construction projects in the history of South Carolina – the back-up dam at Lake Murray. Built to comply with new earthquake safety standards mandated by the Federal Energy Regulatory Commission, the project was 20 years in planning and involved 1.7 million man-hours of work. The cost of the project – \$275 million – is being offset through SCE&G's synthetic fuel tax credits. More information is also included within this report.

Also in June, the Georgia Public Service Commission voted to retain SCANA Energy as Georgia's regulated provider of natural gas for another two-year term beginning September 1, 2005. SCANA Energy has served in this capacity since 2002, when the Georgia General Assembly mandated the appointment of a regulated provider to ensure that low-income Georgians were afforded natural gas at lower rates. The regulated provider also serves as provider of last resort to natural gas customers who have been refused service by marketers. Approximately 65,000 customers are currently receiving service under these programs.

At SCANA, we believe that developing and effectively executing a clear strategy and operating in accordance with our values will better enable us to consistently meet the needs of our customers, our employees and our shareholders, now and in the future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. B. Timmerman". The signature is fluid and cursive, written over a white background.

W. B. Timmerman  
Chairman, President and Chief Executive Officer  
July 29, 2005

## Investor Information

### SCANA Investor Plus Plan

The Plan provides investors a convenient and economical means of acquiring, holding and transferring shares of SCANA's common stock. Participants may purchase additional shares of common stock through automatic reinvestments of all or a portion of their cash dividends on SCANA's common stock and SCE&G's cumulative preferred stock and/or by making optional cash payments of \$25 up to a maximum of \$100,000 per calendar year. The Plan also features a direct purchase provision through which investors can acquire their first shares of SCANA's common stock directly from the Company. A variety of other services, including direct deposit of dividends and safekeeping of share certificates, are also available. To receive a Plan prospectus and enrollment form, please contact Shareholder Services or visit our Web site at [www.scana.com](http://www.scana.com).

Effective May 1, 2004, the Plan began purchasing shares for participants directly from SCANA. The price of the shares is the average of the high and low sales price of the common stock listed on the New York Stock Exchange on the business day before the purchase, usually the first and 15th of each month. No commission is charged to participants on these purchases.

### Shareholder Services

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

SCANA Corporation  
Attention: Shareholder Services (054)  
Columbia, SC 29218-0001

(800) 763-5891 (toll-free Investor Line)  
(803) 217-7817 (Columbia)  
(Note: A Shareholder Services representative is available between 9:00 a.m. and 4:00 p.m. Eastern time, Monday through Friday)

E-mail: [shareholder@scana.com](mailto:shareholder@scana.com)  
Fax: (803) 217-7389  
Internet: [www.scana.com](http://www.scana.com)

## SCE&G seeks increase in retail natural gas rates

SCE&G filed an application on April 26 with the Public Service Commission of South Carolina (PSC) requesting an overall increase of 7.09 percent, or approximately \$28 million, in the Company's retail natural gas base rates.

The rate increase request is largely associated with recovering costs of expanding and operating SCE&G's natural gas infrastructure, costs that are necessary to ensure safe, reliable and efficient service to its customers.

The overall 7.09 percent increase breaks down as follows: 13.85 percent for residential; 5.57 percent for small and medium commercial; and 8.13 percent for large commercial and industrial. The percentage increase allocated to residential customers is higher because the cost to serve these customers is higher.

In announcing the proposed increase, SCE&G President Neville O. Lorick said since SCE&G's last natural gas rate case in 1989, the Company's gas distribution system has grown by 46 percent, from 4,667 miles to 6,800 miles; customers have increased by 39 percent, from 203,000 to 282,000; and at the same time, property taxes have grown by \$9 million and operation and maintenance costs have risen by \$25 million.

"It's been 16 years since we've sought an increase in retail natural gas base rates. Since that time we've experienced increasing capital and operating costs that make it necessary for us to seek rate recovery. While we've tried to delay the impact of a natural gas rate increase for as long as we could, we must seek recovery of these costs at this time," Lorick said.

Although SCE&G is allowed to earn a return on common equity of 12.25 percent, based on an adjusted test year that ended December 31, 2004, the Company earned a negative return of 1.11 percent. Lorick said earning a reasonable return is important not only to SCE&G's financial health, but also to its ability to make additional capital investments necessary to support future growth and ongoing economic development in South Carolina.

The requested increase is based upon a 9.19 percent overall return on rate base, including an 11.75 percent return on common equity, and would produce approximately \$28 million in additional annual revenues based on the adjusted test year.

The PSC has scheduled a public hearing on SCE&G's application beginning on September 19, 2005. If approved, the new rates would go into effect in November 2005.

## SCE&G dedicates back-up dam

SCE&G officially announced the completion of the back-up dam at Lake Murray at a special dedication ceremony held June 23.

More than 200 people attended the event, including representatives from SCE&G, the engineering firm Paul C. Rizzo Associates, Barnard Construction Co., the Federal Energy Regulatory Commission, state and local agencies, and community groups.

"A project like this only comes along once in a lifetime," said Neville Lorick, president of SCE&G. "The completion of the back-up dam guarantees that Lake Murray will continue to be a wonderful asset for the Midlands far into the future."

SCE&G was required by FERC to build the back-up dam in order to meet current earthquake safety standards. Spanning 1.5 miles, the \$275 million structure is comprised of two berms built with more than 3 million cubic yards of rock fill connected to a 2,300-foot, roller-compacted concrete center section.

Since construction activities began in 2001, the building of the back-up dam had been the largest active dam construction project in the United States.

**Condensed Consolidated Statements of Income**

Six Months Ended June 30,

[Millions of dollars, except per share amounts]

[unaudited]

|  | 2005          | 2004          |
|--|---------------|---------------|
| Operating Revenues:  |               |               |
| Electric   | \$ 853        | \$ 814        |
| Gas – Regulated  | 680           | 614           |
| Gas – Nonregulated   | 624           | 547           |
| <b>Total Operating Revenues</b>  | <b>2,157</b>  | <b>1,975</b>  |
| Operating Expenses:  |               |               |
| Fuel used in electric generation   | 265           | 215           |
| Purchased power  | 18            | 33            |
| Gas purchased for resale   | 1,037         | 906           |
| Other operation and maintenance  | 312           | 298           |
| Depreciation and amortization (1)  | 334           | 129           |
| Other taxes  | 78            | 77            |
| <b>Total Operating Expenses (1)</b>  | <b>2,044</b>  | <b>1,658</b>  |
| Operating Income (1)   | 113           | 317           |
| Other Income (Expense):  |               |               |
| Other income, including allowance<br>for equity funds used during construction                                   | 25            | 30            |
| Interest Charges, net of allowance for<br>borrowed funds   | (108)         | (101)         |
| Gain on sale of investments and assets   | 8             | 1             |
| <b>Total Other Expense</b>   | <b>(75)</b>   | <b>(70)</b>   |
| Income Before Income Taxes, Earnings (Losses)<br>from Equity Method Investments and<br>Preferred Stock Dividends | 38            | 247           |
| Income Tax Expense (Benefit) (1)   | (176)         | 84            |
| Income Before Earnings (Losses) from<br>Equity Method Investments and<br>Preferred Stock Dividends               | 214           | 163           |
| Earnings (Losses) from Equity Method<br>Investments (1)  | (65)          | 2             |
| Preferred Stock Dividends at SCE&G   | 4             | 4             |
| <b>Net Income</b>  | <b>\$ 145</b> | <b>\$ 161</b> |
| Basic and Diluted Earnings Per Share   | \$ 1.28       | \$ 1.45       |
| Weighted Average Shares Outstanding [Millions]   | 113.3         | 111.0         |
| Common Dividends Declared Per Share  | \$ .78        | \$ .73        |

**Condensed Consolidated Balance Sheets**

Millions of dollars [unaudited]

|   | June 30,<br>2005 | December 31,<br>2004 |
|---|------------------|----------------------|
| <b>Assets</b>                               |                  |                      |
| Utility Plant, Net                          | \$ 6,636         | \$ 6,762             |
| Other Property and Investments              | 215              | 216                  |
| Current Assets                              | 1,053            | 1,149                |
| Deferred Debits                             | 857              | 869                  |
| <b>Total Assets</b>                         | <b>\$ 8,761</b>  | <b>\$ 8,996</b>      |
| <b>Capitalization and Liabilities</b>       |                  |                      |
| Capitalization:                             |                  |                      |
| Common Equity                               | \$ 2,560         | \$ 2,451             |
| Preferred Stock                             | 114              | 115                  |
| Long-Term Debt, Net                         | 3,072            | 3,186                |
| <b>Total Capitalization</b>                 | <b>5,746</b>     | <b>5,752</b>         |
| Current Liabilities                         | 1,058            | 1,190                |
| Deferred Credits                            | 1,957            | 2,054                |
| <b>Total Capitalization and Liabilities</b> | <b>\$ 8,761</b>  | <b>\$ 8,996</b>      |

(1) In a January 2005 order, the Public Service Commission of South Carolina approved SCE&G's request to apply synthetic fuel tax credits to offset the construction costs of the Lake Murray Dam project. The level of depreciation expense and related tax benefit recognized in the income statement will be equal to the available synthetic fuel tax credits, less partnership losses and other expenses, net of taxes. Although these entries collectively have no impact on consolidated net income, they can have a significant impact on individual line items within the income statement. For more information, see the disclosures included in SCANA's filings with the SEC on Form 10-Q, which are available on the company's Web site at [www.scana.com](http://www.scana.com).

**Investor Information****Shareholder Online**

SCANA's registered shareholders can access a variety of detailed account information online by using our state-of-the-art internet service "Shareholder Online." To sign-up for Shareholder Online please visit our Web site at [www.scana.com](http://www.scana.com) and select "Investor Information" and "Shareholder Online". For additional information, or to request a brochure about this service, please call our Shareholder Services Department using our 24-hour toll-free Investor Line at (800) 763-5891.

**Investors' Association**

For information about this organization's activities, please write to:

Association of SCANA  
Corporation Investors  
c/o John E. Milkereit, Secretary  
P.O. Box 32115  
Charleston, SC 29417-2115

Statements included in this midyear 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) regulatory actions or changes in the utility and nonutility regulatory environment, (3) current and future litigation, (4) changes in the economy, especially in areas served by the Company's subsidiaries, (5) the impact of competition from other energy suppliers, including competition from alternate fuels in industrial interruptible markets, (6) growth opportunities for the Company's regulated and diversified subsidiaries, (7) the results of financing efforts, (8) changes in the Company's accounting policies, (9) weather conditions, especially in areas served by the Company's subsidiaries, (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. The Company disclaims any obligation to update any forward-looking statements.

This mid-year report is provided for shareholders' information. It is not intended for use in connection with any sale or purchase of, or any other solicitation of offers to buy or sell securities.