

CHAIRMAN'S LETTER

Fellow Stockholders:

I am pleased to report that SCANA Corporation had a successful year in 1991 despite a downturn in the economy of our service area and some very temperate weather. Earnings from continuing operations grew to \$3.37 per share from \$3.31 last year, an increase of 1.8 percent. Electric sales revenues increased 1.9 percent. The annual cash dividend was increased \$.10 per common share in April 1991, to the current annual rate of \$2.62 per common share.

At SCANA Corporation we continue to reshape our businesses to answer the challenges posed by today's competitive realities. These realities include consumer demands for an increasing array of choices to help them manage energy costs, selective deregulation of key aspects of the electric and gas industries, and implementation of new technologies to improve the environment. Some old realities remain. These include the continuing growth of our customer base and inflationary pressures on our cost structure. For the most part, the new realities will provide significant positive benefits for our customers. Our challenge is to adapt our businesses to harness these changes, while building on our historical strengths in a way that will meet the expectations of our customers, stockholders and employees.

Our most significant business segment generates and distributes electricity to more than 450,000 customers in South Carolina. Electric operations face significant challenges in the next several years. Putting aside the more traditional challenges of generation expansion, service improvement and environmental management for a moment, I would like to focus on the pending deregulation in this industry.

Several efforts are underway to deregulate certain sectors of the electric industry. Legislation to this effect has been proposed in both houses of Congress. The Federal Energy Regulatory Commission continues to promote competition in the generation of electricity coupled with open access to utility transmission networks. It appears only a matter of time until this process is reality. Indeed, it has already begun to some extent with the emergence of independent power producers and cogenerators as alternatives to utility-owned generation. SCANA has evaluated the process of deregulation and its impact on other industries, including the natural gas business, and several points are clear. Competition may

benefit customers, but does not automatically benefit investors or employees. Significant alteration in the traditional ways of doing business is required. The winners in a more competitive environment are those companies with the lowest cost structure, and those companies which are more agile and innovative. As you read this annual report, you will note that we are committed to four key strategies for the future—operational excellence, cost containment, a significant emphasis on marketing, and an enhanced sensitivity to customers and employees. I believe these strategies plus some plain hard work will sustain our position as an extremely competitive and successful energy provider, whatever the pace and direction of deregulation in the electric industry.

