ANNUAL REPORT
1944

PARR STEAM POWER STATION
(As of April 10, 1945)

N. H. COIT* .......... Columbia, S. C.  
S. C. McMEEKIN* .......... Columbia, S. C.  
H. H. HALLIGAN .......... New York, N. Y.  
C. M. OYER* .......... Columbia, S. C.  
W. H. KENDRICK* .......... Columbia, S. C.  
W. J. READY .......... Columbia, S. C.  

(As of April 10, 1945)

N. H. COIT  
President  
S. C. McMEEKIN  
Executive Vice-President  
H. K. HALLIGAN  
Vice-President  
W. H. KENDRICK  
Vice-President  
C. M. OYER  
Treasurer  
W. J. READY  
Controller  
L. F. PEARCE  
Secretary and Assistant Treasurer  
W. R. PORTER  
Assistant Secretary and Assistant Treasurer

5% CUMULATIVE PREFERRED STOCK

TRANSFER AGENT ................................................. New York Trust Company, New York, N. Y.  
REGISTRAR .................................................. The Chase National Bank of the City of New York, New York, N. Y.

FIRST MORTGAGE BONDS, 3 5/8 SERIES DUE 1973

AUTHORIZED: $200,000,000; other series issuable upon compliance with mortgage and statutory requirements.

TRUSTEES: Corporate-Bank of the Manhattan Company, New York, N. Y.  
Individual-J. Bryson Aird, New York, N. Y.

REGISTRAR .................................................. Bank of the Manhattan Company, New York, N. Y.  
INTEREST PAYING AGENT ...................................... Bank of the Manhattan Company, New York, N. Y.

Annual Meeting--May 16, 1945

* Member of Executive Committee (Mr. W. H. Kendrick-Alternate)
COLUMBIA, the geographical center of the State of South Carolina, is also the center of the area in which the Company renders electric, gas and coach transportation service.

The focal point of business, political and social activity in the State, it has shown marked development in recent years and looks forward to a bright future.

Annual Report

of the

South Carolina Electric & Gas Company

Nineteen Hundred and Forty-Four

Contents

On the front cover is shown a picture of the Parr Steam Plant located at Parr, S. C. The back cover shows pictures of the Parr Hydro Plant at Parr, S. C. (top) and the interior of the Canal Plant located in Columbia.

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3</td>
<td>Sources of the 1944 Revenue Dollar</td>
</tr>
<tr>
<td>4</td>
<td>How The 1944 Revenue Dollar Was Spent</td>
</tr>
<tr>
<td>5</td>
<td>Growth and Progress</td>
</tr>
<tr>
<td>6-7-S</td>
<td>Looking Ahead</td>
</tr>
<tr>
<td>9</td>
<td>Air View of the Saluda Hydro Development</td>
</tr>
<tr>
<td>10-11</td>
<td>Employee Activities and Benefits</td>
</tr>
<tr>
<td>12</td>
<td>Typical Customers Served</td>
</tr>
<tr>
<td>13</td>
<td>Accounts' Certificate</td>
</tr>
<tr>
<td>14</td>
<td>Statements of Income</td>
</tr>
<tr>
<td>15</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>16-17</td>
<td>Statements of Earned and Capital Surplus</td>
</tr>
<tr>
<td>18</td>
<td>Notes to Financial Statements</td>
</tr>
<tr>
<td>19</td>
<td>Service and Property</td>
</tr>
<tr>
<td>20</td>
<td>System Map</td>
</tr>
<tr>
<td></td>
<td>PRINCIPAL OFFICE: 328 Main Street, Columbia, South Carolina</td>
</tr>
</tbody>
</table>

This report and accompanying financial statements are submitted for information of security holders, employees and customers, and are not intended for use in connection with any sale or purchase of, or any offer or solicitation of offers, to buy or sell, any securities.
To the Security Holders of
South Carolina Electric & Gas Company

The twenty first annual report on the operations of your Company is respectfully presented herein. Attention is directed to the revenue increases in all departments. Total costs of production have likewise increased but rates to customers have actually been reduced. Construction expenditures exceeded $1,800,000, principally consisting of improvements to the Saluda Hydro development. The contribution to the war effort has continued to be the primary objective of your Company during the year 1944. This Company claims its share in the tribute to the industry voiced by Rear Admiral W. R. Monroe, U.S.N., "When we called for power we got power and not - thank God - all this." Military and war production requirements for power and bus transportation were fully met in 1944, without curtailment of civilian service beyond the voluntary conservation program sponsored by the Government. Substantial purchases of war bonds were made by the Company and its employees and assistance was given in conducting war bond and relief campaigns and production stimulation efforts.

Changes during the year included the sale of the Florence-Darlington gas properties, the purchase of the electric distribution system in an isolated district serving approximately 1,400 gas customers.

The management staff of your Company was strengthened in 1944 by the election of Mr. S. C. McMeekin, formerly President of the Missouri General Utilities Company and a native South Carolinian, as Executive Vice President. Other organizational changes included the appointment of Mr. A. M. Williams, Jr., as personnel Director and Mr. S. E. Weiner as Advertising Director.

Pursuant to an order of the South Carolina Public Service Commission the Electric Plant accounts were adjusted to show the results of an accounting study, completed in 1944, to determine original cost to the first person devoting the property to public service. Previous regulations on a reproduction cost basis were eliminated. Plant Acquisition Cost, beginning between original cost as above defined and cost to present owners are in 1943 by annual charges to expenses. The Federal Power Commission has

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COLUMBIA, S. C.
Under the Federal Power Act of 1935 the Federal Power Commission claims jurisdiction over hydro-electric projects on streams determined by them to be navigable. Your Company in 1923 accepted Federal Licenses for the Columbia and Pocahontas hydro-electric plants constructed in 1926 and 1924 respectively.

A proposal in 1954 for a referendum looking to the purchase of the Columbia property of the City of Columbia was withdrawn and the matter referred to a committee of citizens. Subsequently the City Council proposed a rate reduction but no date has been set for a hearing before the South Carolina Public Service Commission. Substantial rate reductions were made in 1943 and 1944 and in the opinion of the Company current conditions do not warrant any further reductions at this time.

Despite the difficulty of obtaining materials or adequate manpower, essential maintenance has been performed and the Company's property is in good operating condition. The Company has always met all power requirements for the territory served. In addition to the demand of industrial and urban communities it has provided dependable services to hundreds of farms at low cost; over its network of rural lines, and cheap wholesale power to rural cooperative associations throughout the central and southern sections of the State. Plans are being made to provide adequate facilities for a substantial post war growth in this area.

This report would not be complete without a tribute to the employees of the Company; both those who have left their homes or desk or shop to enter the armed services and those who have remained in the home front. To all of them the Company acknowledges a debt of gratitude.

In addition to the financial statements, certified to by Archibald Anderson & Company, we have included herein graphs, photographs and tabulations of interest to security holders and others. They emphasize the scope of your Company's activities. Its record over a span of years in the communities served suggests an expanding future usefulness to the advantage of investors and customers alike.

Industry has discovered the South. Investors are interested in its possibilities. Inventions awaiting production will multiply the use of electricity and further reduce its cost. The management of your Company interprets these encouraging signs as an opportunity for aggressive leadership in the post war development of the territory served.

Respectfully submitted,

By Order of the Board of Directors,

[Signature]

April 15, 1945

N. B. CULI, President.
DOMESTIC SALES-These pennies purchased light, radio entertainment, food preservation and ice, cooking, water heating, and easier laundry in thousands of homes? and, for many rural customers, operated water pumps, brooders, cream separators, freezers and work shops.

COMMERCIAL SALES-For merchants, offices and small power customers this means display or office lighting, air conditioning, commercial refrigeration, cooking and operation of small motors.

INDUSTRIAL SALES-Most of these customers are engaged directly or indirectly in war production. The Company is recognized as essential to the war effort because without power the wheels would not turn.

COACH-This covers countless trips to Fort Jackson to bring G.I. Joe to town on leave and carry him safely back again and accelerated schedules to transport busy civilians. We are proud of the way our Transportation Department has met these demands despite handicaps.

OTHER ELECTRIC UTILITIES-The development of Lake Murray was made possible by guaranteed revenues from power sales to other power companies. Sales to these companies represent 25c of this class in 1944. The other 5c represents sales to electric co-operatives, municipal systems and other power companies. Power interchange is encouraged by the War Production Board to provide ready power for war plants and is one of the secrets of the success of our industry in successfully meeting war power demands.

MISCELLANEOUS-Lighting for the streets of the municipalities served accounted for 1c of this class while the other 1c represents miscellaneous receipts.
PAYROLL—Literally hundreds of employee families are playing their varied parts in the school, church and social life of dozens of cities and towns. Their earnings flow back into the communities in which they live, thereby contributing substantially to local business. The Federal, State, County and Local Governments likewise collected their share of these employees’ payroll dollars as taxes.

FUEL—Coal and coke used would have furnished the yearly heat requirement for 36,200 families or two times the number in Columbia, Sumter, Batesburg, Lexington and St. Matthews. As much as twenty carloads of coal are used each day when water is low and power is produced at our modern Parr Steam Plant.

OTHER SUPPLIES AND OPERATING EXPENSES—Scarcity of materials continued to limit maintenance but 7c of this item was spent to keep the properties in good operating condition. Purchased power absorbed 4c while the balance of 4c was spent for gasoline and oil to operate the buses, insurance, employee benefits, telephone and telegraph, contract services and other supplies.

TAXES, INTEREST, PREFERRED STOCK DIVIDENDS AND OTHER DEDUCTIONS—Federal, State and Local taxes paid would build and equip four school houses such as the modern Dreher High School in Columbia or pay 1,078 South Carolina teachers average annual salaries. Interest on borrowed money, preferred stock dividends and other income deductions, accounted for the balance of this item.

DEPRECIATION RESERVE APPROPRIATION—No amount of maintenance will completely offset the effects of old age in equipment. Sometimes it is replaced by a more efficient type before it wears out. Such old items are charged off against the Depreciation Reserve.

WITHDRAWN BY OWNERS—This is compensation to the common stockholders for their investment in developing an adequate utility system in central South Carolina.

RETAINED IN THE BUSINESS—After providing for all of the above requirements 5c of each dollar remained to be set aside for future use.
Growth and Progress

EARLY HISTORY

T is a far cry back to the days of gas lights and horse drawn trolleys but the story of your Company's development begins in that era. Gas service in Columbia dates back to the incorporation of a predecessor company in 1852. Several decades later the records refer to an established transportation system and arc lights. The beginning of the development of Columbia as an industrial site dates from the construction on the Columbia Canal in 1896 of one of the first hydro-electric plants in the world. This was supplemented in 1906 by a steam plant in Columbia (since dismantled) and by a hydro-electric plant at Par.1 Shoals, in Fairfield County, in 1914.

In 1924 the Broad River Power Company was organized to consolidate the several small companies previously serving the community and to provide outside capital for the building of additional generation and transmission facilities and the purchase of local distribution systems in the surrounding territory. (The name of the Company was changed to South Carolina Electric & Gas Company in 1937).

RECENT CONSTRUCTION

There immediately followed a period of development and expansion. Due to variations in rainfall, the hydro-electric generating plants could not be relied upon to furnish adequate and dependable power during low water periods. Curtailment of power delivery to industrial customers during such periods was necessary, continuing sometimes for several weeks. Consequently, pursuant to a design which would provide for future enlargement in capacity, a modern steam electric generating plant was constructed in 1924 and 1925 adjacent to the Parr Shoals Hydro Plant to assure adequate power at all times. Additions were made to this plant in 1926, 1929 and 1940 as demands for power increased. In many months of the year the Parr Steam Plant generates more energy than the three hydro plants combined and in 1944 produced 136½ per cent of the total power generated. All of the power produced at this plant is firm power.

In 1930, the nationally recognized hydro-electric development known as Lake Murray, on the Saluda River, was placed in service by an affiliated company, the Lexington Water Power Company. This project included an artificial lake having a 500 mile shore line and the largest earthen dam in the world used for power purposes at that time. This company was merged into the South Carolina Electric & Gas Company in 1943. Improvements to the Lake Murray dam and spillway, at a cost of approximately $1,900,000, are now nearing completion.

During this period 520 miles of high voltage transmission lines were constructed to link all parts of the territory, including properties newly acquired, with the generating stations and to permit the interconnection with lines of other power companies for the sale and purchase of power. Distribution lines were extended and rebuilt in a number of towns and communities and distribution systems were built in other towns and communities which theretofore had no electric service.

Every effort has been made to meet the growing demand for manufactured gas in Columbia and Eau Claire. A high pressure gas main was completed to Eau Claire to serve that community in 1929, and in 1938 a high pressure main was constructed to serve the United States Veteran's Hospital located on the Garner's Ferry Road approximately four miles east of Columbia. The network of distribution mains has
been extended as necessary to supply the rapidly developing suburbs of Columbia. In 1941 the production capacity of the Columbia plant was increased 2,420,000 cubic feet per day by the installation of an additional water gas set. Boiler capacity was substantially increased in 1943. An additional water gas set costing over $70,000 was placed in operation early in 1945.

Within the last 8 years the transportation system has grown from 29 buses operating on 8 routes to 96 buses covering 15 routes, in most instances on a fifteen minute schedule, accessible to all parts of Columbia and suburbs. This increase has been accomplished during a period when adequate equipment, manpower and maintenance supplies have been difficult to obtain.

**GROWTH IN BUSINESS**

Just as the hydro-electric development on the Columbia Canal in 1896 provided the power for the early industrial growth of Columbia, so has the power construction since 1924 encouraged and materially assisted in the industrial and rural development of the progressive communities in central South Carolina. The accompanying graph shows better than a two fold increase in electric and gas residential customers since 1925. There was during this period an increase in electric generation of 513 per cent.

The resulting growth in gross revenues is marked by a steady trend upward until, in 1944, due to the war, there is a greater than normal increase. Expenses, taxes and interest requirements also increased, as customers and facilities were added, but in irregular amounts so that net income fluctuated widely and has shown a negligible increase as compared with gross revenues. Rainfall variations were largely responsible for expense variations. The financing of new construction resulted in periods of high debt service costs which were greatly reduced by the refinancing in 1943.

A significant expense factor has been the increase in payrolls resulting from the necessary increase in the number of employees as shown on the accompanying chart. Attention is directed to the increase in the annual earnings of the average employee, resulting in an increase in community purchasing power.

**REDUCTIONS IN RATES**

Economies resulting from volume production and careful management have slightly more than offset rising total expenses and taxes. That these economies have been shared with customers is evidenced by the fact that the rate reduction of approximately $109,000 effective March 1, 1944, was the tenth rate reduction since 1929. These reductions aggregate an estimated annual saving of $855,000 to customers of the Com-
pany. Some communities had residential rates averaging 11 cents per kilowatt hour before they were added to the Company's network. They were immediately placed on the Company's uniform rate schedules approved by the South Carolina Public Service Commission and began the enjoyment of an adequate full time power supply in contrast to the ofttimes inadequate and part time service experienced previously. These rate reductions together with increased usage have resulted in a 1944 average cost per kilowatt hour to residential customers of 3.05 cents which is well below the national average cost of 3.51 cents.

TAXES

A very substantial contribution to community development has been made by the Company through the medium of State, County, and Municipal taxes and licenses. There are four special State taxes to which a privately owned public utility is subject in South Carolina in addition to property and license taxes levied on the average business. These are the electric generation tax, the gross receipts tax, the special utility license and the state income tax provision which disallows interest expense as a deduction. A comparison of aggregate annual Company state taxes with the appropriations for several state agencies is noteworthy.

Federal taxes have been less substantial but have increased in recent years due to changes in tax laws occasioned by the war. Attention is directed to the Federal income tax saving of approximately $350,000.00 in 1944 resulting from joining in consolidated returns with parent companies. Approximately one-half of this saving is of a type which will no longer be available after completion of the reorganization of parent companies, and is therefore given special treatment in the Statements of Income.

The Company believes that the payment of a share of taxes is a proper obligation of industry in a democracy. Representative government ably administered in its proper field of service, is entitled to adequate support. Privately owned public utilities are entitled to credit as tax paying institutions in any comparison of rates charged for their services.
Looking Ahead

ALTHOUGH the Company Management has not allowed post-war planning to divert attention from the war effort, it is looking ahead and has outlined certain broad objectives for the near future which will involve the expenditure of millions of dollars in the territory served. These are in addition to the routine construction work which never ceases in a growing industry.

An era of marked development is anticipated in the use of electricity in homes and on farms in the next decade. This will call for the enlargement of substations, an increase in the capacity of lines and the addition of transmission and distribution circuits. Studies of future power requirements of the entire service area have been completed and involve expenditure of substantial sums in extending, enlarging and improving present facilities.

Contacts have been made with schools and farm and home demonstration agencies looking to the offering of short courses of training by Company representatives, in the most effective post-war utilization of electrical servants in improving standards of living, helping solve the labor problem and increasing farm production.

There will be practically no homes or farms without lights and most of them will find radios, electric water systems and refrigeration a sane and feasible minimum of equipment. Many farmers will increase their sales of fruits, vegetables, dairy and meat products and receive better prices by the use of cold storage installations.

Much room for improvement exists in the lighting of schools, churches and other public buildings. Illumination of athletic fields to permit summer sports at night is in its early stages. Air conditioning, as new buildings are constructed, will bring new comforts to both rural and urban residents.

One of the most immediate projects involves the expenditure of approximately $1,000,000 over a four-year period on improvements to the system in greater Columbia to accommodate changing load centers and meet anticipated trends in city growth.

Central South Carolina should receive its share of the industrial expansion now occurring in the South. Ample power is available from the Company's lines and electric rates are reasonable. The Company is cooperating fully with local Chambers of Commerce and State planning agencies in telling this story to prospective industries.

This report which is released to security holders, statistical agencies and others, like other descriptive material released by the Company, finds readers in all parts of the nation. It is felt that this policy operates to the benefit of customers by encouraging community progress and reducing rates through increased sales volume. It benefits security holders by building a more stable Company.

Other construction already begun or in immediate prospect includes the installation of new specially designed fuel pulverizing equipment at the Parr Steam Plant to increase the combustion efficiency of low grades of coal now received, the addition of capacitors on overhead systems to maintain voltage, the purchase of twelve new buses to replace old equipment and the enlargement and rearrangement of gas mains in Columbia.

A centrally located building lot has recently been purchased on which a modern office building can be built when materials become available. The Company is now using a building outside of the business district as an office building, necessitating the maintenance of separate offices for the commercial department for the convenience of customers. This factor together with the anticipated increase in personnel make a new building highly desirable.

Company employees have not been forgotten in plans now being made for the future. The expansion program should provide places for returning veterans who have been promised employment upon their return as well as a majority of the loyal new employees who have faithfully performed their tasks under the heavy work loads imposed by war conditions. A liberal pension plan to provide old-age security for employees is receiving consideration. The Company has numerous employees with a record of many years of faithful service which it feels should be rewarded. Thirty former employees now receive pensions under an existing arrangement which lacks many of the desirable features of modern pension plans. A full page is devoted to employee activities elsewhere in this report.

This Company not only stands ready but will lead the parade of vast developments that lie just ahead.
Employee Activities and Benefits

The company is proud of the service being rendered under the Colors by its employees. The close of 1944 found one hundred and eighty-eight employees in the Armed Services; of this number 65 per cent were in the Army, 27 per cent were in the Navy, and the remaining 8 per cent were in the Marine Corps. As of April 10, 1945, there were 195 employees in the Armed Services.

Few of our employees have left the service, but 69 per cent of these have returned to employment with us —and, with one exception, the entire 69 per cent are still on our pay rolls.

As a small token of its pride in the service of these employees, the Company, upon their induction, pays them certain bonuses, and assists them in carrying their insurance. Christmas boxes were sent to these men, and each week they receive Time Magazine with the compliments of the Company.

VETERANS

An agreement was entered into with the Veterans Administration to assist them in the vocational rehabilitation of returned veterans. Under the terms of this agreement, the Company employs such Veterans as will fit into its work, and enters them in one of its apprentice systems. The Veterans Administration furnishes these Veterans with certain tools and additional compensation for the period of their training. The object of this program is to enable returned servicemen to acquire a vocation which will give them access to an adequate livelihood. Several men have been employed under this program, and the arrangement has proved mutually satisfactory.

INSURANCE

The Company has made available to its employees certain Group and Ordinary Insurance benefits, of which the Company pays approximately half of the premiums. The present coverage of its employees amounts to $1,006,000 in Ordinary, and $1,232,000 in Group—a total of $2,238,000. The Company’s share of the premiums involved during 1944 amounted to approximately $49,000.

MANPOWER

Since the beginning of the war there has been a labor turnover of approximately 23% due to enlistments in the Armed Services alone. This has resulted in the extension of working hours in the various operating departments. In accordance with the provisions of the Wage Hour Law, time and one-half is paid all employees subject thereto for all such overtime hours, and appropriate adjustments have been made in the pay of supervisors effected by the change in hours.

In many instances women employees have replaced men, and much credit is due them for the efficient work they have done. The loyalty of all our employees, both men and women, is amply illustrated by the fact that few of them have left our service for the higher pay of “war jobs” offered in adjacent areas. Day by day these men and women have gone about their appointed task quietly, efficiently, and loyally doing their work well in spite of long hours on the job, shortages of material, and the other inconveniences of the times. To them can be attributed much of the credit for the uninterrupted flow of power that has kept the war plants of this area going, the electric and gas service furnished the citizens and institutions of this territory, and the transportation that has taken the populace of this community about their business and pleasure.
Our Company Serves Many Large Customers

Palmetto Quarries Company, Columbia
Claussen's Bakery, Columbia

Tapp's Department Store, Columbia

Veteran's Hospital
Columbia

Pacific Mills, Columbia

Wade Hampton Hotel, Columbia

Winnsboro Mills, Winnsboro
To the Board of Directors,

South Carolina Electric & Gas Company:

We have examined the balance sheet of South Carolina Electric & Gas Company (a South Carolina corporation) as of December 31, 1944, and the statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions; have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of South Carolina Electric & Gas Company at December 31, 1944, and the results of its operations for the fiscal year, in accordance with generally accepted accounting principles which were maintained on a basis consistent with that of the preceding year except for the change in the basis of stating property, plant and equipment described in Note 1 to the balance sheet, in which we concur.

Arthur Andersen & Co.

Atlanta, Georgia,
February 19, 1945.
# SOUTH CAROLINA ELECTRIC & GAS COMPANY
## STATEMENTS OF INCOME
### FOR THE YEARS ENDING DECEMBER 31, 1944 AND 1943

### OPERATING REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>1944</th>
<th>1943 (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>5,822,992.30</td>
<td>5,798,910.63</td>
</tr>
<tr>
<td>Gas (Note2)</td>
<td>604,943.57</td>
<td>560,896.06</td>
</tr>
<tr>
<td>Transportation-coach</td>
<td>1,218,970.46</td>
<td>1,207,493.04</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>7,646,906.33</strong></td>
<td><strong>7,567,099.73</strong></td>
</tr>
</tbody>
</table>

### OPERATING EXPENSES AND TAXES:

<table>
<thead>
<tr>
<th>Description</th>
<th>1944</th>
<th>1943 (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses (other than electricity purchased for resale)</td>
<td>$2,920,832.38</td>
<td>$2,416,230.64</td>
</tr>
<tr>
<td>Electricity purchased for resale</td>
<td>320,458.31</td>
<td>322,634.62</td>
</tr>
<tr>
<td>Maintenance</td>
<td>542,352.59</td>
<td>464,502.24</td>
</tr>
<tr>
<td>Provision for depreciation</td>
<td>913,776.31</td>
<td>922,951.74</td>
</tr>
<tr>
<td>Provision for taxes—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal income, before reduction shown separately below, and $8,100 for 1944 and $180,000 for 1943 related to and applied against items charged directly to earned surplus</td>
<td>296,600.00</td>
<td>425,000.00</td>
</tr>
<tr>
<td>Federal excess profits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>961,464.80</td>
<td>952,147.97</td>
</tr>
<tr>
<td><strong>Total operating expenses and taxes (Note 2)</strong></td>
<td><strong>5,955,483.76</strong></td>
<td><strong>5,508,476.21</strong></td>
</tr>
<tr>
<td>Operating income</td>
<td>$1,691,422.57</td>
<td>$2,063,623.52</td>
</tr>
<tr>
<td><strong>OTHER INCOME-Net (Note 2)</strong></td>
<td>20,463.12</td>
<td>3,909.54</td>
</tr>
<tr>
<td>Gross income</td>
<td>$1,711,885.69</td>
<td>$2,067,533.36</td>
</tr>
</tbody>
</table>

### DEDUCTIONS FROM INCOME:

<table>
<thead>
<tr>
<th>Description</th>
<th>1944</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on long-term debt (including in 1943 $58,892 on advances from parent company)</td>
<td>$719,412.24</td>
<td>$1,022,300.41</td>
</tr>
<tr>
<td>Other interest</td>
<td>8,139.40</td>
<td>7,892.08</td>
</tr>
<tr>
<td>Taxes assumed on interest</td>
<td>1,492.28</td>
<td>5,391.72</td>
</tr>
<tr>
<td>Amortization of debt discount and expense</td>
<td></td>
<td>47,553.08</td>
</tr>
<tr>
<td>Amortization of premium on debt (credit), less expenses</td>
<td>15,925.79</td>
<td>6,923.53</td>
</tr>
<tr>
<td>Interest charged to construction (credit)</td>
<td>38,384.94</td>
<td>4,696.13</td>
</tr>
<tr>
<td>Miscellaneous income deductions</td>
<td>3,906.55</td>
<td>1,301.25</td>
</tr>
<tr>
<td><strong>Total deductions from income</strong></td>
<td>$688,639.74</td>
<td>$1,072,748.88</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,043,245.85</td>
<td>$994,784.48</td>
</tr>
</tbody>
</table>

Reduction in Federal income taxes resulting from deductions in consolidated returns, for interest and amortization charges on securities of indirect parents (in process of reorganization under Chapter X of the Bankruptcy Act), which deductions may not continue to be available after 1944 and in no event will be available after consummation of a Plan of Reorganization of such parents. | 174,200.00 | 245,000.00 |

**Balance transferred to earned surplus** | **$1,217,445.95** | **$1,239,784.48**

(The notes on page 19 are an integral part of these statements of income)
## South Carolina Elect

### Balance Sheet

#### ASSETS

**PROPERTY, PLANT AND EQUIPMENT (Note 1):**

Electric—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible property, at original cost.</td>
<td>$39,663,791.79</td>
</tr>
<tr>
<td>Intangibles, at original cost.</td>
<td>$29,347.05</td>
</tr>
<tr>
<td>Electric plant acquisition adjustments (account 100.5)</td>
<td>$1,498,681.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$41,191,820.13</strong></td>
</tr>
</tbody>
</table>

Gas (including $644,760 classified as intangibles) 2,553,967.52

Coach 998,086.28

Common utility property 317,721.15

**Total** 45,061,595.08

**INVESTMENT AND FUND ACCOUNTS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other physical property</td>
<td>$ 191,577.98</td>
</tr>
<tr>
<td>Cash on deposit with trustee to meet maintenance fund requirements</td>
<td>148,206.08</td>
</tr>
<tr>
<td>Investment in securities of associated mutual service company, at cost (less reserve of $22,165.86)</td>
<td>39,711.64</td>
</tr>
<tr>
<td>Deposit in escrow in accordance with consolidated tax liability apportionment agreement (See Note 3 to statements of income)</td>
<td>36,859.22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>416,354.92</td>
</tr>
</tbody>
</table>

**CURRENT ASSETS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$236,724.94</td>
</tr>
<tr>
<td>U. S. Government obligations, at cost</td>
<td>350,000.00</td>
</tr>
<tr>
<td>Miscellaneous special deposits.</td>
<td>3,757.44</td>
</tr>
<tr>
<td>Accounts receivable—</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>$506,625.24</td>
</tr>
<tr>
<td>Other</td>
<td>13,106.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$519,731.26</td>
</tr>
<tr>
<td>Less-Reserve for uncollectible accounts receivable</td>
<td>21,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>498,731.26</td>
</tr>
<tr>
<td>Materials and supplies, stated substantially at average cost</td>
<td>325,125.04</td>
</tr>
<tr>
<td>Prepayments</td>
<td>41,950.58</td>
</tr>
<tr>
<td>Other current assets.</td>
<td>5,390.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,461,679.26</td>
</tr>
</tbody>
</table>

**DEFERRED DEBITS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,514.61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$46,952,143.87</td>
</tr>
</tbody>
</table>

---

*SIXTEEN*


**ELECTRIC & GAS COMPANY**

December 31, 1944

**LIABILITIES**

CAPITAL STOCK:

- 5% cumulative preferred, par value $50 per share, authorized 146,266 shares, issued and outstanding 125,234 shares (including 12 shares reserved for exchange in connection with consolidation and merger) ...... $ 6,261,700.00
- Common—
  - Par value $100 per share, authorized 70,000 shares, issued and outstanding 43,394 shares. .......................... 4,339,400.00
  - Premium on common capital stock ............................................. 1,725,000.00

FIRST MORTGAGE BONDS, 3-5/8% SERIES DUE JULY 1, 1973. ...

CURRENT AND ACCRUED LIABILITIES, exclusive of 1945 sinking fund requirements of $100,000:

- Accounts payable. .......................................................... $ 223,280.28
- Customers' deposits. ........................................................ 207,692.64
- Taxes accrued—
  - Federal income (see Note 3 to statements of income) .................. 114,300.00
  - Other ................................................................. 198,244.74
- Interest accrued. ........................................................... 28,057.31
- Dividends declared on preferred stock ....................................... 78,271.25
- Other current and accrued liabilities ...................................... 137,180.28

DEFERRED CREDITS:

- Premium, less expenses, on bonds outstanding, in process of amortization over the life thereof ........................................ $ 449,547.86
- Customers' advances for construction. ........................................ 25,495.17
- Other deferred credits. ..................................................... 54,466.81

RESERVES:

- Depreciation ................................................................. $ 7,423,853.85
- Federal income tax (see Note 3 to statements of income) .................. 86,859.22
- Other reserves ....................................................................... 37,236.15

CONTRIBUTIONS IN AID OF CONSTRUCTION (Nonrefundable) .............. 116,874.43
CAPITAL SURPLUS (see page 18) .................................................. 4,381,788.31
EARNED SURPLUS (Of which $1,140,413.75 is restricted for payment of common stock dividends by order of the Securities and Exchange Commission)-see page 18 ........ 1,362,895.57

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Stock</td>
<td>$6,261,700.00</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$12,326,100.00</td>
</tr>
<tr>
<td>Current and Accrued Liabilities</td>
<td>$987,026.50</td>
</tr>
<tr>
<td>Deferred Credits</td>
<td>$529,509.84</td>
</tr>
<tr>
<td>Reserves</td>
<td>$7,547,949.22</td>
</tr>
<tr>
<td>Contributions in Aid of Construction</td>
<td>$116,874.43</td>
</tr>
<tr>
<td>Capital Surplus</td>
<td>$4,381,788.31</td>
</tr>
<tr>
<td>Earned Surplus</td>
<td>$1,362,895.57</td>
</tr>
</tbody>
</table>

(The notes on page 19 are an integral part of this balance sheet)
SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1944

Balance, December 31, 1943................................................................. $1,082,042.35

Add:
Balance transferred from statement of income........................................ $1,217,445.95
Reduction of reserve for 1942 Federal income taxes.................................. 278,095.12
                                                      ______________________
                                                      1,495,541.07

Deduct:
Dividends paid or declared—
  5% cumulative preferred ($2.50 per share)...................................... $313,110.00
  Common ($12.50 per share).................................................. 542,425.00
                                                      ______________________
                                                      855,535.00

Premium on bonds called for redemption.............................................. $12,750.00
Less-Sales premium on such bonds (net of expense)......................... 6,986.00
                                                      ______________________
                                                      5,764.00
Loss on sale of Florence Division gas property, less reduction ($8,100) in
Federal income taxes applicable thereto........................................... 352,874.81
Miscellaneous.............................................................................. 514.04
                                                      ______________________
                                                      353,388.85

Balance, December 31, 1944 (restricted as indicated on balance sheet)............... $1,362,895.57

STATEMENT OF CAPITAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1944

Balance, December 31, 1943................................................................. $4,658,114.49

Add:
Discount on 20 shares of 5% preferred stock purchased for cancellation................ 100.00
                                                      ______________________
                                                      4,658,214.49

Deduct:
Write-off of appreciation arising from revaluation of fixed capital applicable to Flor-
ence Division gas property sold..................................................... 276,426.18

Balance, December 31, 1944................................................................. $4,381,788.31

EIGHTEEN
SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOTES TO BALANCE SHEET AND STATEMENTS OF INCOME
December 31, 1944

Notes to Balance Sheet

(1) PROPERTY, PLANT AND EQUIPMENT:
   In compliance with an order of the South Carolina Public Service
   Commission, the Company in 1944 recorded the original cost of electric
   property, plant and equipment (other than that acquired from Lexington
   Water Power Company at original cost) and disposed of electric plant
   adjustments in the amount of $3,677,115 by charges of $3,238,506 and
   $438,609 to reserve for electric and gas plant adjustments and depletion
   reserve, respectively, and a transfer of $2,500 to deferred debits.
   The Commission also ordered the amortization of electric plant
   acquisition adjustments by annual charges to operating expense over a fifteen-
   year period from January 1, 1945. The determination of original cost
   has not been reviewed by the Federal Power Commission.
   In accordance with the order referred to above, the ledger amount
   of gas property, plant and equipment was reduced by the balance
   ($781,494) remaining in the reserve for electric and gas plant adjust-
   ments, thereby recording the original cost of electric property, plant and
   equipment.

(2) CONSTRUCTION COMMITMENTS:
   The Company has construction commitments of approximately $305,000
   in connection with the construction of an additional spillway to an
   existing dam.

Notes to Statements of Income

(1) STATEMENT OF INCOME FOR 1943:
   For comparative purposes, the statement of income for the year
   ended December 31, 1943 includes the operations (after inter-company
   eliminations) of Lexington Water Power Company for the six months
   prior to its consolidation and merger into South Carolina Electric &
   Gas Company as of July 1, 1943, and does not purport to reflect the
   results of operations had the consolidation and merger been consum-
   mated prior to 1943.

(2) OPERATIONS OF FLORENCE GAS DIVISION:
   Operating revenues, operating expenses, provision for depreciation
   and taxes for the years 1944 and 1943 do not include the operations of
   the Florence Gas Division which was sold in October, 1944. The operat-
   ing loss of this Division ($9,366.35 in 1944 and $9,730.38 in 1943) has
   been reclassified to other income.

(3) FEDERAL INCOME TAXES:
   Federal income taxes for 1941 and prior years have been settled with
   the U. S. Treasury Department.
   The Company joined or proposes to join with the Company's indirect
   parents (in process of reorganization under Chapter X of the Bankruptcy
   Act) and others in consolidated Federal excess profits tax returns for the
   years 1940 to 1943, inclusive, and in consolidated income tax returns
   for the years 1942 to 1944, inclusive. Consolidated income tax returns were
   not permitted, under the Internal Revenue Code, for the years 1940 and
   1941.
   The consolidated excess profits tax returns filed for the years 1940
   and 1941, indicating no tax due, have been examined by the Revenue
   Agents in Charge who have recommended their acceptance with modifi-
   cations, which, however, did not result in taxable income. In the event
   that the consolidated excess profits tax returns filed for the years 1942
   and 1943 and the return which it is anticipated will be filed for the
   year 1944 are accepted as filed, the Company will have no liability for
   such taxes, and no provision therefor has been made in these statements.
   Each of the companies joining in a consolidated return, other than a
   company in bankruptcy, is severally liable to the Federal Government
   for the full amount of any income or excess profits tax, including any
   deficiencies, penalties or interest, which may be assessed against the
   affiliated group.
   Agreement, herein called apportionment agreements, have been made
   by the companies which joined in the consolidated returns. These agree-
   ments provide that any tax liability of the group shall be allocated to
   each of the participants therein in the ratio that the liability of each on
   a separate return basis bears to the sum of the liabilities so computed
   for each participant, except that the amount, excluding interest and
   penalties, allocated to any participant other than the indirect parents
   shall not exceed the participant's tax liability computed on the basis of a
   separate return.
   The apportionment agreements made by the participants in the 1942
   and 1943 consolidated returns contain special provisions relating to the
deduction claimed in the 1942 return for the war loss suffered by
Associated Electric Company, an affiliated company, on its investment
in properties located in the Philippine Islands. In the event that the
deduction claimed for this loss is allowed, Associated Electric Company
or the consolidated group may be subject to substantial taxes in sub-
sequent years upon the recovery of the war loss. In accordance with
special provisions in the apportionment agreement an escrow fund has
been established to meet such contingent liability. The ultimate amounts
required to be paid in satisfaction of such contingent liability cannot
presently be determined; however, if at the time of recovery the amount
in the escrow fund is insufficient for such purpose, each of the com-
panies deriving a tax benefit from the allowance of the war loss as a
deduction will be called upon to pay its pro rata share of the deficiency.
If, on the other hand, the escrow fund should be in excess of the
requirement, the excess will be distributed to the companies depositing
the funds on a pro rata basis.

Federal income taxes as reflected in the statements of income are
computed without the benefit of estimated reductions resulting from
(a) the deductions explained in the special credit to the statements of
income, (b) the deductibility for tax purposes of call premium, duplicate
interest and debt discount and expense applicable to long-term debt
retired during the year 1943, which reduction was credited to earned
surplus in that year (as a special provision for amortization of debt
discount and expense) and (c) the loss on sale of gas property in 1944,
which reduction was credited to earned surplus.

In computing the maximum liability for Federal income taxes for
1942 and 1943 no recognition was given to certain deductions, in the
consolidated returns, for interest and amortization charges on securities
of the indirect parents (in the process of reorganization under Chapter
X of the Bankruptcy Act), which deductions are now considered to be
allowable. For comparative purposes, the reduction for 1943 has been
reflected in the statement of income for that year, and the balance of
income transferred to earned surplus for 1943 is $245,000 greater than the
amount previously reported.

Estimated Federal taxes on income computed on a separate return
basis and used in determining consolidated tax applicable to this com-
pany amounted to $470,000 in 1944 and $800,000 in 1943 without the benefit
in 1943 of estimated reductions resulting from the deductibility for tax
purposes of call premiums, duplicate interest and debt discount and
expense applicable to long-term debt retired in 1942.

NINETEEN
Service and Properly

The Company supplies electric service in Columbia and sixty other cities, towns and communities in Central South Carolina, including Batesburg, Johnston, Leesville, Lexington, North, Ridgeway, St. Matthews and Saluda. Gas service and transportation service are also furnished in Columbia and vicinity. A few comparative statistics, including activities of companies subsequently merged and excluding activities of properties sold, are given below for 1944 as compared with 1943 and 1934:

<table>
<thead>
<tr>
<th></th>
<th>1944</th>
<th>1943</th>
<th>1934</th>
<th>Percentage Increase 1944 over 1943</th>
<th>Percentage Increase 1944 over 1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kilowatt Hours Sold.</td>
<td>617,744,062</td>
<td>615,151,179</td>
<td>372,719,083</td>
<td>.4</td>
<td>65.7</td>
</tr>
<tr>
<td>Total Customers.</td>
<td>30,743</td>
<td>29,666</td>
<td>16,320</td>
<td>3.6</td>
<td>88.4</td>
</tr>
<tr>
<td>Pole Miles of Transmission Lines.</td>
<td>568</td>
<td>568</td>
<td>405</td>
<td>.</td>
<td>40.2</td>
</tr>
<tr>
<td>Kilowatt Generating Capacity (Name plate rating)</td>
<td>227,130&quot;</td>
<td>227,130&quot;</td>
<td>227,205</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

* Additional boiler in 1940 increased possible capacity 12,500 KW.

GAS

<table>
<thead>
<tr>
<th></th>
<th>1944</th>
<th>1943</th>
<th>1934</th>
<th>Percentage Increase 1944 over 1943</th>
<th>Percentage Increase 1944 over 1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cubic Feet Sold.</td>
<td>521,017,300</td>
<td>477,968,700</td>
<td>221,118,800</td>
<td>9.0</td>
<td>135.6</td>
</tr>
<tr>
<td>Total Customers.</td>
<td>10,734</td>
<td>10,236</td>
<td>5,897</td>
<td>4.9</td>
<td>82.0</td>
</tr>
<tr>
<td>Miles of Gas Mains.</td>
<td>155</td>
<td>154</td>
<td>100</td>
<td>.6</td>
<td>55.0</td>
</tr>
<tr>
<td>Daily Manufacturing Capacity (Cubic Feet)</td>
<td>5,038,000</td>
<td>5,038,000</td>
<td>1,500,000</td>
<td>.</td>
<td>235.9</td>
</tr>
</tbody>
</table>

COACH

<table>
<thead>
<tr>
<th></th>
<th>1944</th>
<th>1943</th>
<th>1934</th>
<th>Percentage Increase 1944 over 1943</th>
<th>Percentage Increase 1944 over 1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Coaches in Service.</td>
<td>98</td>
<td>105</td>
<td>14</td>
<td>6.7</td>
<td>600.0</td>
</tr>
<tr>
<td>Revenue Passengers Carried.</td>
<td>23,257,245</td>
<td>22,957,532</td>
<td>2,406,479</td>
<td>1.3</td>
<td>866.4</td>
</tr>
<tr>
<td>Miles of Routes Operated.</td>
<td>108</td>
<td>108</td>
<td>30</td>
<td>.</td>
<td>260.0</td>
</tr>
<tr>
<td>Gallons of Gasoline Used.</td>
<td>921,180</td>
<td>853,393</td>
<td>164,907</td>
<td>7.9</td>
<td>458.6</td>
</tr>
</tbody>
</table>

* Italics Represent Decrease.