CAPM COST OF COMMON EQUITY DERIVATION

U.S. Treasury Note Yields

	Historic (%) 5-Year	10-Year	20-Year	Historic Average
2,003.00				
September	3.18	4.27	5.21	4.22
October	3.19	4.29	5.21	4.23
November	3.29	4.30	5.17	4.25
December	3.27	4.27	5.11	4.22
2,004.00				
January	3.12	4.15	5.01	4.09
February	3.07	4.08	4.94	4.03
March	2.79	3.83	4.72	3.78
April	3.39	4.35	5.16	4.30
May	3.85	4.72	5.46	4.68
June	3.93	4.73	5.45	4.70
July	3.69	4.50	5.24	4.48
August	3.47	4.28	5.07	4.27
Average	3.35	4.31	5.15	4.27

	Projected (%) 5-Year	10-Year	30-Year	
Lehman Bros-2005	4.10	4.80		4.45
Citigroup		5.36		5.36
Merrill Lynch	3.85	3.85	4.60	4.10
Value Line (Avg 2005 & '07-'09)		5.55		5.55
Overall Average	3.98	**4.89**	4.60	4.87
Avg Hist. & Proj.	3.66	4.60	4.87	4.57

Ibbotson Associates Risk Premiums (1926-2003)

Returns	**Large Co. Stocks**	**Small Co. Stocks**
Arithmetic Me	12.40	17.50
Geometric Me	10.40	12.70
Intermediate Term-Gov't		
Arithmetic Me	5.50	5.50
Geometric Me	5.40	5.40
Adopted Risk Premium		
Arithmetic Me	6.90	12.00
Geometric Me	5.00	7.30
Average	5.95	9.65
Overall Average		**7.80**

CAPM COST OF COMMON EQUITY DERIVATION

Company	Beta	Risk Premium (%)	Risk-Free Rate (%)	CAPM K (%)
SCANA	0.70	7.80	4.89	10.35
Energy East Corp.	0.80	7.80	4.89	11.13
NSTAR	0.70	7.80	4.89	10.35
Pinnacle West Capital Corp.	0.80	7.80	4.89	11.13
Vectren Corp.	0.75	7.80	4.89	10.74
Wisconsin Energy	0.70	7.80	4.89	10.35
WPS Resources	0.75	7.80	4.89	10.74
		Average Proxy Group		**10.74**
		Average w. SCANA		**10.55**

Recommended CAPM Cost of Common Equity Estim **10.55**
for South Carolina Electric & Gas Company

Data Sources: Federal Reserve (historic yields of U.S. Treasury Notes).
Value Line, *Value Line Investment Survey* , Economic Series, October 1, 2004, p. 694, and other issues.
Lehman Brothers, Economic Outlook United States, *Global Weekly Economic Monitor* , 17 September 2004.
Citigroup Forecast (received October 5, 2004).
Merrill Lynch, ML Financial Market Forecast, *The Market Economist* , 24 September 2004.
Ibbotson Associates, *Stocks, Bonds, Bills and Inflation 2004 Yearbook: Market Results for 1926-2003* , (Chicago, IL 2004), Table 2-1, p. 33.