SCANA CORP
Form 8-K
July 29, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 26, 2002

SCANA Corporation

(Exact name of registrant as specified in its charter)

South Carolina	1-8809	57-0784499
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1426 Main Street, Columbia, South Carolina	29201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (803) 217-9000

Not applicable

(Former name or former address, if changed since last report)

Item 5. Other Events and Regulation FD Disclosure.

On July 26, 2002 SCANA Corporation (NYSE: SCG) reported that earnings from ongoing operations for the second quarter of 2002 were $38 million, or 36 cents per share of common stock, compared to $30 million, or 29 cents per share in the second quarter of last year.

In the second quarter of 2002, SCANA also recorded a non-recurring cash gain of $9 million, or 9 cents per share, related to the previously announced sale of its 800 Mhz radio network to Motorola, and a non-cash, non-recurring charge of $7 million, or 7 cents per share, related to the other than temporary decline in the market value of the Company's investment in ITC^DeltaCom, Inc. (NASDAQ: ITCDQ). Additional information regarding these non-recurring items is included below. In the second quarter of 2001, the Company had recorded a non-recurring, non-cash gain of $354 million, or $3.38 per share related to the Company's investment in Powertel, Inc., which was acquired by Deutsche Telekom AG (NYSE:DT; FSE:DTE) on May 31, 2001.

Including the non-recurring items in both periods, SCANA reported consolidated earnings in the second quarter of 2002 of $40 million, or 38 cents per share of common stock, compared to $385 million, or $3.67 per share, in the second quarter of 2001.

Earnings per share comparisons for the three months and six months ended June 30, 2002 and 2001 are summarized in the following table:

	3 Months Ended June 30,		6 Months Ended Jun	
	2002	2001	2002	2001
Earnings Per Share From Ongoing Operations	$.36	$.29	$1.10	$1.00
Non-Recurring Items Per Share:				
Gain on Sale of Radio Network	.09	_	.09	_
Impairment Charge on ITC^DeltaCom Investment	(.07)		(.07)	
Gain on Sale of Powertel Investment	_	3.38	_	3.38
Gain on Sale of Deutsche Telekom Stock			.10	
Impairment Charge on Deutsche Telekom Investment	_	_	(1.52)	_
Gain on Sale of SCANA Security	_	_	_	.04
Reported Earnings (Loss) Per Share	$.38	$3.67	$(.30)	$4.42

"Earnings from ongoing operations in the second quarter improved by 7 cents per share, or 24 percent, over the same quarter last year and were in-line with the earnings guidance we provided for the quarter," said Kevin Marsh, SCANA's senior vice president and chief financial officer.

Regulated Operations

South Carolina Electric & Gas Company (SCE&G), SCANA's principal subsidiary, recorded earnings of 37 cents per share in the second quarter, down from 41 cents per share in the same period last year. "The favorable impact of warmer weather and customer growth on electric sales margins was more than offset by higher operating and maintenance expenses," said Marsh.

"As measured by cooling degree days, temperatures across SCE&G's electric utility service area during the quarter were 7 percent above normal and 5 percent above last year," said Marsh. "The impact of the warmer weather increased second quarter earnings by 2 cents per share compared to the second quarter last year."

The warmer weather, combined with 2.2 percent customer growth, resulted in a 4.0 percent increase in total retail kilowatt-hour sales of electricity in the second quarter compared to the same period last year. Residential sales, which are the most weather sensitive, were up 5.3 percent. Commercial sales were up 3.4 percent and industrial sales rose 3.6 percent.

South Carolina Pipeline, SCANA's regulated gas transmission business, recorded earnings of 3 cents per share in the second quarter, up from 2 cents per share in 2001. Those positive results primarily reflect increased margins on sales of natural gas for electric generation.

PSNC Energy, the Company's North Carolina-based regulated natural gas distribution subsidiary, recorded a seasonal loss of 2 cents per share in the second quarter, compared to a loss of 5 cents per share in the same quarter last year. "That improvement was the result of the elimination this year of the goodwill amortization expense related to SCANA's acquisition of PSNC in February 2000 and slightly better sales margins resulting primarily from lower gas costs," said Marsh.

Non-Regulated Operations

SCANA Energy, the Company's non-regulated retail natural gas business in Georgia, recorded earnings of 1 cent per share in the second quarter of 2002 compared to a loss of 3 cents per share in the same quarter last year. "The more favorable results at SCANA Energy were driven primarily by lower bad debt expenses due to lower natural gas prices," said Marsh.

The Company's corporate and other non-regulated operations lost 3 cents per share in the second quarter on a combined basis compared to a loss of 6 cents per share last year. That improvement was driven primarily by lower interest expenses and higher investment income.

Explanation of Second Quarter 2002 Non-Recurring Items

In the second quarter of 2002, SCANA Communications, Inc., SCANA's wholly-owned telecommunications subsidiary, recorded a non-recurring cash gain of $9 million, or 9 cents per share related to the previously-announced sale of its 800 Mhz emergency radio network to Motorola in April 2002. SCANA Communications owns a fiber optic network in South Carolina and North Carolina, provides tower construction, management and rental services for wireless providers, and, through a Delaware subsidiary, holds the Company's telecommunications investments.

Also in the second quarter of 2002, SCANA recorded a non-cash, non-recurring charge of $7 million, or 7 cents per share, related to the other than temporary decline in the market value of the Company's investment in ITC^DeltaCom, Inc.(NASDAQ: ITCDQ), a publicly-held provider of integrated telecommunications and technology solutions to businesses in the southern United States. This impairment charge eliminates the Company's investment basis in ITC^DeltaCom. On June 25, 2002, ITC^DeltaCom filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the District of Delaware. In connection with the bankruptcy filing, ITC^DeltaCom announced a proposed plan of reorganization that it anticipates will result in the elimination of approximately $515 million principal amount of the company's senior and subordinated note debt, thereby improving the company's capital structure and liquidity position and significantly reducing annual interest expense. Implementation of the proposed plan of reorganization is dependent on a number of factors and conditions typical in similar reorganizations, including approval of the reorganization plan by the bankruptcy court and ITC^DeltaCom's security holders. In connection with that proposed reorganization, SCANA has committed to purchase up to $15 million of a new issue of the reorganized company's convertible preferred stock.

Implementation of SFAS 142

As disclosed earlier this year, on January 1, 2002, Statement of Financial Accounting Standards No. 142, a new accounting standard from the Financial Accounting Standards Board (FASB) became effective. This new standard addresses goodwill and other intangible assets recorded on a company's balance sheet and requires that goodwill no longer be amortized, but instead tested for impairment at least annually. In accordance with SFAS 142, and as noted above, SCANA discontinued recording amortization expense related to goodwill associated with the Company's acquisition of Public Service Company of North Carolina, Inc., a natural gas distribution company headquartered in Gastonia, North Carolina. This company is currently a wholly-owned subsidiary of SCANA doing business as PSNC Energy. As required by the new statement, the Company continues to evaluate whether the goodwill associated with this transaction that is recorded on the Company's books is impaired as defined in the statement and, if so, the amount of any such impairment. While the Company's evaluation is being finalized, preliminary results indicate that the Company will be required to record a non-cash impairment in the probable range of $200 - $250 million. As required by the standard, the Company expects to complete its evaluation of the carrying value of goodwill and record any required impairment by the end of 2002. Any such impairment would be recorded as the cumulative effect of the mandated accounting change.

Statements included in this Form 8-K which are not statements of historical fact are intended to be, and are hereby identified as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of the Company and its management. Although SCANA Corporation believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. 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 non-utility 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) inflation, (11) changes in environmental regulations, (12) volatility in commodity natural gas markets and (13) the other risks and uncertainties described from time to time in the Company's periodic reports filed with the Securities and Exchange Commission. The Company disclaims any obligation to update any forward-looking statements.

FINANCIAL INFORMATION
Consolidated Statements of Income
(Millions, except per share amounts) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
Operating Revenues:	2002	2001	2002	2001
Electric	$ 349	$ 340	$ 651	$ 681
Gas-Regulated	155	175	451	642
Gas-Nonregulated	145	225	369	736
Total Operating Revenues	649	740	1,471	2,059
Operating Expenses:				
Fuel and purchased power	108	107	187	222
Gas purchased for resale	234	333	613	1,148
Other operation and maintenance	131	122	258	251
Depreciation and amortization	55	56	108	112
Other taxes	32	29	63	59
Total Operating Expenses	560	647	1,229	1,792
Operating Income	89	93	242	267
Other Income (Loss), Net	24	564	(187)	586
Interest Charges, Net	51	59	102	121
Preferred Dividend Requirement of SCE&G - Mandatorily Redeemable Preferred Securities	1	1	2	2
Income Taxes (Benefit)	19	210	(21)	262
Preferred Stock Cash Dividends of Subsidiary	2	2	4	4
Net Income (Loss)	$ 40	$ 385	$ (32)	$ 464
Common Stock Data				
Earnings(Loss) Per Share	$.38	$ 3.67	$ (.30)	$ 4.42
Wtg. Avg. Common Shares Outstanding (000)	104,732	104,729	104,730	104,729

SUMMARY OF EPS BY COMPANY:

	Three Months Ended June 30, 2002	2001
SC Electric & Gas	$.37	$.41
SC Pipeline	.03	.02
PSNC Energy	(.02)	(.05)
SCANA Energy-Georgia	.01	(.03)
Corporate and Other Nonregulated, Net	(.03)	(.06)
Total Operating EPS	.36	.29
Nonrecurring Items	.02	3.38
Total Reported EPS	$.38	$3.67

	Six Months Ended June 30, 2002	2001
SC Electric & Gas	$.86	$.91
SC Pipeline	(.02)	.01
PSNC Energy	.18	.15
SCANA Energy-Georgia	.14	.06
Corporate and Other Nonregulated, Net	(.06)	(.13)
Total Operating EPS	1.10	1.00
Nonrecurring Items	(1.40)	3.42
Total Reported EPS	$(.30)	$4.42

SUMMARY OF EPS VARIANCES:

	2nd Quarter	YTD
2001 Reported EPS	$3.67	$4.42
Variances:		
Nonrecurring Items:		
Gain on Sale of Radio Network	.09	.09
Impairment Charge on ITC^DeltaCom Investment	(.07)	(.07)
Gain on Sale of Powertel Investment	(3.38)	(3.38)
Gain on Sale of Deutsche Telekom Stock		.10
Impairment Charge on Deutsche Telekom Investment		(1.52)
Gain on Sale of SCANA Security		(.04)
Electric Margin	.04	.03
Gas Margin	(.01)	(.13)
O&M Expense	(.05)	(.04)
Depreciation Expense	.01	.02
Interest Expense	.05	.11
Other, Net	.03	.11
Total Variance	(3.29)	(4.72)
2002 Reported EPS	$.38	($.30)

CONSOLIDATED OPERATING STATISTICS

	Three Months Ended June 30, 2002	2001	% Change	2002	Six Months En 2001
Electric Operations					
Sales (Million KWH):					
Residential	1,581	1,501	5.3	3,229	3,196
Commercial	1,658	1,604	3.4	3,065	2,999
Industrial	1,705	1,645	3.6	3,238	3,144
Other	138	138	-	258	259
Total Retail	5082	4,888	4.0	9,790	9,598
Wholesale	471	948	(50.3)	1,111	1,622
Total Sales	5,553	5,836	(4.8)	10,901	11,220
Customers (Period-End)				552,702	540,842
Natural Gas Operations					
Sales (MillionTherms):					
Residential	59	64	(7.8)	343	388
Commercial	58	56	3.6	187	200
Industrial	310	299	3.7	634	622
Total Retail	427	419	1.9	1,164	1,210
Sales for Resale	80	109	(26.6)	160	321
Transportation Volumes	73	63	15.9	158	127

Total Sales	580	591	(1.9)	1,482	1,658

Customers (Period-End)	1,001,237	1,0

WEATHER DATA - Average of Columbia and Charleston, SC

	Three Months Ended June 30,			Six Months En	
	Actual	Percent Change		Actual	Per
	2002	vs 2001	vs Normal	2002	vs
Heating Degree Days	74.0	(27.1)	(38.1)	1,215.5	(10
Cooling Degree Days	814.0	5.4	7.1	878.0	11

SIGNATURES

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

SCANA Corporation
(Registrant)

July 29, 2002

By: s/James E. Swan, IV
James E. Swan, IV
Controller