

Scana Net Surges On Asset Sale But Weather Hurts

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CHARLOTTE -- Scana Corp.'s (SCG) second-quarter profits surged 85% as the South Carolina energy company recorded a gain related to the sale of its stake in a telecommunications company. Meanwhile, mild weather and higher wholesale natural gas prices damped earnings at the company's electric utility and natural gas pipeline business.

Scana, Columbia, S.C., said net income rose to \$74 million, or 67 cents a share, from \$40 million, or 38 cents a share.

Results in the most recent quarter included a gain of 33 cents a share from proceeds related to West Corp.'s (WSTC) May acquisition of InterCall from privately held ITC Holding Co. They also included an impairment charge of 4 cents a share related to its investment in Knology, another technology company. In the year-ago quarter, results included a net gain of 2 cents a share related to asset sales and impairment charges on investments.

Excluding unusual items, operating earnings rose 11% to \$42 million, or 38 cents a share, from \$38 million, or 36 cents a share, and were a penny below the Thomson First Call consensus forecast.

Scana said mild weather hurt earnings by 4 cents a share at South Carolina Electric & Gas Co., which posted a 2% increase in customers but saw kilowatt sales of electricity decline nearly 2%. A retail rate increase that took effect in February contributed 12 cents to earnings. Total earnings at the unit rose 3% to \$40 million.

Scana's N.C.-based retail natural gas distribution business, PSNC Energy, posted a loss of 2 cents a share, unchanged from a year earlier.

Earnings at the company's regulated gas transmission business declined to a penny a share from 3 cents a year earlier as high natural gas prices hurt sales margins. The weather also hurt demand for natural gas used in electric generation.

"Average temperatures across our electric service territory during the second quarter, as measured by cooling degree days, were 16% cooler than the second quarter of last year and 10% cooler than normal," said Kevin Marsh, senior vice president and chief financial officer.

The company has a conference call scheduled for 10 a.m. EDT to discuss results.

The company also affirmed its previous outlook for 2003 operating earnings in the range of \$2.50 to \$2.60 a share. Analysts polled by Thomson First Call have a mean estimate of \$2.54 a share. The estimate assumes normal weather for the remainder of the year in Scana's service areas and excludes any potential gains or losses from investing activities or asset sales.

Frank Jolley, who manages about \$55 million for Jolley Asset Management in Rocky Mount, N.C., said he wasn't concerned that Scana missed the consensus estimate by a penny. "I think a lot of the utilities have had weaker results," he said.

Scana results weren't a big surprise, and the stock remains a long-term core holding, Jolley said. But he's not adding to his position at current share prices.

Scana shares, up 6% for the year, were up 0.3% at \$32.75 Friday morning. They hit a 52-week high of \$35.45 on June 19.