

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-08-02** | Period of Report: **1994-06-30**
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FILER

BOSTON GAS CO

CIK: **13390** | IRS No.: **041103580** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **002-23416** | Film No.: **94541279**
SIC: **4922** Natural gas transmission

Mailing Address
*ONE BEACON STREET
BOSTON MA 02108*

Business Address
*ONE BEACON ST
BOSTON MA 02108
6177428400*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended _____ June 30, 1994 _____

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 2-23416

BOSTON GAS COMPANY

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

04-1103580

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

ONE BEACON STREET, BOSTON, MASSACHUSETTS 02108

(Address of principal executive offices)
(Zip Code)

617-742-8400

(Registrant's telephone number, including area code)

NONE

Former name, former address and former fiscal year,
if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Common stock of Registrant at the date of this report was 514,184 shares, all held by Eastern Enterprises.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Company or group of companies for which report is filed:

BOSTON GAS COMPANY AND SUBSIDIARY ("Registrant")

<TABLE>
CONSOLIDATED STATEMENTS OF EARNINGS

<CAPTION>

(In Thousands)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES	\$122,807	\$128,567	\$437,108	\$386,793
Cost of gas sold	66,698	79,358	260,114	242,302
OPERATING MARGIN	56,109	49,209	176,994	144,491
OPERATING EXPENSES:				
Other operating expenses	36,958	25,115	81,737	65,436
Maintenance	5,671	14,135	14,817	17,860
Depreciation and amortization	8,128	5,637	21,966	15,646
Income taxes	235	(124)	19,153	13,746
Total Operating Expenses	50,992	44,763	137,673	112,688
OPERATING EARNINGS	5,117	4,446	39,321	31,803
OTHER EARNINGS, NET	32	32	72	68
EARNINGS BEFORE INTEREST EXPENSE	5,149	4,478	39,393	31,871
INTEREST EXPENSE:				
Long-term debt	4,313	3,922	8,502	8,063
Other, including amortization of debt expense	630	616	1,546	1,350
Less - Interest during construction	(143)	(97)	(291)	(185)
Total Interest Expense	4,800	4,441	9,757	9,228

NET EARNINGS	349	37	29,636	22,643
Preferred Stock Dividends	481	219	963	453
	-----	-----	-----	-----
NET EARNINGS APPLICABLE TO COMMON STOCK	\$ (132)	\$ (182)	\$ 28,673	\$ 22,190
	-----	=====	=====	=====
COMMON STOCK DIVIDENDS	\$ -	\$ -	\$ 12,032	\$ 8,355
	-----	-----	-----	-----

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

<CAPTION>

(In Thousands)

	June 30, 1994	June 30, 1993	December 31, 1993
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS			
GAS PLANT, at cost	\$ 653,489	\$ 622,607	\$ 649,580
Construction work-in-progress	21,710	12,451	8,131
Less-Accumulated depreciation	214,615	197,583	195,284
	-----	-----	-----
Total Net Plant	460,584	437,475	462,427
	-----	-----	-----

CURRENT ASSETS:

Cash	2,302	1,965	1,160
Accounts receivable, less reserves of \$16,575 and \$12,474 at June 30, 1994 and 1993, respectively, and \$13,518 at December 31, 1993,	92,371	91,453	89,096
Deferred gas costs	44,214	12,913	65,802
Natural gas and other inventories	38,233	37,731	53,152
Materials and supplies	5,587	6,395	5,019
Prepaid expenses	4,626	3,149	3,708
Income taxes	-	-	6,046
	-----	-----	-----

Total Current Assets	187,333	153,606	223,983
	-----	-----	-----
OTHER ASSETS:			
Deferred postretirement benefit cost	99,607	100,712	101,182
Deferred charges and other assets	23,921	24,962	46,848
	-----	-----	-----
Total Other Assets	123,528	125,674	148,030
	-----	-----	-----
TOTAL ASSETS	\$ 771,445	\$ 716,755	\$ 834,440
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

<CAPTION>

(In Thousands)

	June 30, 1994	June 30, 1993	December 31, 1993
	-----	-----	-----
<S>	<C>	<C>	<C>
LIABILITIES AND STOCKHOLDER'S INVESTMENT			

CAPITALIZATION:

Stockholder's investment -

Common stock, \$100 par value, 514,184 shares authorized and outstanding	\$ 51,418	\$ 51,418	\$ 51,418
Amounts in excess of par value	43,233	43,233	43,233
Retained earnings	112,321	100,487	95,680
	-----	-----	-----
Total Common Stockholder's Investment	206,972	195,138	190,331

Variable term cumulative preferred stock,
\$1 par value, 1,200,000 shares authorized
and outstanding

29,213	29,343	29,197
--------	--------	--------

Long-term obligations, less current portion

206,652	172,862	171,345
---------	---------	---------

Total Capitalization

442,837	397,343	390,873
---------	---------	---------

Gas Inventory Financing

36,692	24,782	59,297
--------	--------	--------

TOTAL CAPITALIZATION AND GAS INVENTORY

FINANCING	479,529	422,125	450,170
CURRENT LIABILITIES:			
Current portion of long-term obligations	2,210	1,754	2,165
Notes payable	31,800	49,700	106,300
Accounts payable	44,721	47,265	52,773
Accrued taxes	2,451	893	161
Accrued income taxes	7,295	1,408	-
Accrued interest	3,582	2,967	3,004
Customer deposits	2,677	2,601	2,597
Refunds due customers	14,896	9,812	8,029
Pipeline transition costs	2,190	-	24,174
TOTAL CURRENT LIABILITIES	111,822	116,400	199,203
OTHER LIABILITIES:			
Deferred income taxes	60,501	54,491	61,561
Unamortized investment tax credits	9,065	9,772	9,427
Postretirement benefits obligation	91,077	91,172	91,955
Other	19,451	22,795	22,124
Total Other Liabilities	180,094	178,230	185,067
TOTAL LIABILITIES AND STOCKHOLDER'S INVESTMENT	\$ 771,445	\$ 716,755	\$ 834,440

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

(In Thousands)
For The Six Months Ended

June 30, June 30,
1994 1993

<S>

<C>

<C>

CASH FLOW FROM OPERATING ACTIVITIES:

Net earnings	\$ 29,636	\$ 22,643
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	21,966	15,646
Deferred taxes	(1,060)	1,767
Other changes in assets and liabilities:		
Accounts receivable	(3,275)	(18,197)
Inventory	14,351	3,664

Deferred gas costs	21,588	27,955
Accounts payable	(8,052)	(5,786)
Accrued interest	578	(354)
Federal and state income taxes	13,341	6,456
Refunds due customers	6,867	(3,249)
Other	419	(4,867)
	-----	-----
Net cash provided by operating activities	96,359	45,678
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,511)	(11,451)
Net cost of removal	(2,622)	(1,260)
	-----	-----
Net cash used for investing activities	(21,133)	(12,711)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital contribution from Parent	-	20,000
Changes in short-term debt, net	(74,500)	(3,632)
Changes in inventory financing	(22,605)	(23,849)
Proceeds from issuance of long-term debt	36,000	-
Repayment of long-term debt	-	(20,000)
Proceeds from issuance of preferred stock	16	(93)
Cash dividends paid on common and preferred stock	(12,995)	(8,728)
	-----	-----
Net cash used for financing activities	(74,084)	(36,302)
	-----	-----
INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS	1,142	(3,335)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	1,160	5,300
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	\$ 2,302	\$ 1,965
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 9,532	\$ 8,437
Income taxes	\$ 6,979	\$ 6,539

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

BOSTON GAS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1994

1. ACCOUNTING POLICIES AND OTHER INFORMATION

GENERAL

It is the Registrant's opinion that the financial information contained in this report reflects all normal, recurring adjustments necessary to present a fair statement of results for the period reported, but such results are not necessarily indicative of results to be expected for the year due to the seasonal nature of the Registrant's business. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, the disclosures herein, when read with the annual report for 1993 filed on Form 10-K, are adequate to make the information presented not misleading.

CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, the Registrant considers highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

SEASONAL ASPECT

The amount of natural gas sold by the Registrant for purposes of space heating is directly related to the ambient air temperature. Consequently, less gas is sold during the summer months than is sold during the winter months. In order to more properly match depreciation and property tax expense with gas sales revenues each month, the Registrant charges to depreciation and property tax expense an amount equal to the percentage of the annual volume of firm gas sales forecasted for the month, applied to the estimated annual depreciation and property tax expense.

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BOSTON GAS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

JUNE 30, 1994

2. GAS INVENTORY FINANCING

Under the terms of the general rate order issued by the Massachusetts Department of Public Utilities (the "Department") effective October 1, 1988, the Registrant funds all of its inventory of gas supplies through external sources. All costs related to this funding are recoverable from its customers. The Registrant maintains a credit agreement with a group of banks which provides for the borrowing of up to \$90,000,000 for the exclusive purpose of funding its inventory of gas supplies or for backing commercial paper issued for the same purpose. At June 30, 1994 and 1993, the Registrant had \$36,692,000 and \$24,782,000, respectively, of commercial paper outstanding for this purpose. Since the commercial paper is supported by the credit agreement, these borrowings have been classified as non-current in the accompanying consolidated balance sheets.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS:

RESULTS OF OPERATIONS

The net loss of \$.1 million for the second quarter of 1994 was slightly less than the \$.2 million loss reported for the same period in 1993. The benefit of higher rates (\$6.0 million) which took effect November 1, 1993 was essentially offset by the impact of weather which was 13% warmer than normal compared to near normal weather for the second quarter of 1993, and increased charges for depreciation, property taxes and bad debts.

Net earnings applicable to common stock for the first six months of 1994 were \$28.7 million, an increase of \$6.5 million or 29% from the same period in 1993. This increase was primarily the result of higher rates (\$14.0 million) and increased sales to new firm customers (\$2.9 million). Weather for the first six months of 1994 was 7% colder than normal compared to near normal weather for the same period in 1993. The benefit of the colder weather was minimal after considering the higher operating costs associated with the unusual first quarter weather. Partially offsetting were higher charges for depreciation (\$3.9 million), property taxes (\$2.8 million) and bad debts (\$1.5 million).

LIQUIDITY & CAPITAL RESOURCES

Notes payable at June 30, 1994 were \$31.8 million, a decrease of \$74.5 million from December 31, 1993. Approximately half of this decrease reflects the use of proceeds from the January 1994 issuance of \$36.0 million of Medium-term notes Series B pursuant to a \$50.0 million

shelf registration statement dated October 28, 1992 on file with the Securities and Exchange Commission. The issued notes have a weighted average maturity of 24 years and a coupon rate of 6.94%. The balance of the decrease in notes payable reflects a reduction in working capital requirements due to the seasonal nature of the gas distribution business.

Cash from operations during the first half of 1994 was sufficient to cover dividends to shareholders, capital expenditures and debt repayments including the above mentioned notes payable.

Capital expenditures for the full year are expected to approximate the original projection of \$53.0 million.

The Registrant believes that projected cash flow from operations, in combination with currently available resources, is sufficient to meet 1994 capital expenditures, working capital requirements, normal debt repayments and dividends to shareholders.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than the ordinary routine litigation involving the Registrant's business, there are no material pending legal proceedings involving the Registrant.

ITEM 2. CHANGES IN SECURITIES

At June 30, 1994, under the most restrictive provision limiting dividend payments in the Registrant's financing indentures, there were no restrictions on retained earnings available for dividends.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

None

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

It is the Registrant's opinion that the financial information contained in this report reflects all normal, recurring adjustments necessary to a fair statement of results for the period reported, but such results are not necessarily indicative of results to be expected for the year due to the seasonal nature of the business of the Registrant. Except as otherwise herein indicated, all accounting policies have been applied in a manner consistent with prior periods. Such financial information is subject to year-end adjustments and an annual audit by independent public accountants.

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 thereunto duly authorized.

Boston Gas Company

(Registrant)

/s/ Joseph F. Bodanza

J. F. Bodanza, Senior Vice President and Treasurer
(Principal Financial and Accounting Officer)

Dated: August 2, 1994
