

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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INTERSTATE POWER CO

CIK: **51720** | IRS No.: **420329500** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SIC: **4931** Electric & other services combined

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1995

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 1-3632

INTERSTATE POWER COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

42-0329500
(I.R.S. Employer
Identification No.)

1000 Main Street, P.O. Box 769, Dubuque, Iowa
(Address of principal executive offices)

52004-0769
(Zip Code)

Registrant's telephone number, including area code 319-582-5421

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

Common Stock Par Value \$3.50 Per Share

9,564,287 Shares

INTERSTATE POWER COMPANY
Form 10-Q
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INTERSTATE POWER COMPANY
STATEMENTS OF INCOME

	Three Months Ended March 31	
	1995	1994
	(In Thousands)	
OPERATING REVENUES:		
Electric	\$ 63,803	\$ 62,375
Gas	18,962	23,200
	82,765	85,575
OPERATING EXPENSES:		
Operation:		
Fuel for electric generation	16,840	15,594
Power purchased	12,102	11,553
Cost of gas sold	9,957	13,011
Other operating expenses	12,031	12,206
Maintenance	3,440	3,528
Depreciation	7,226	6,861
Income taxes:		
Federal currently payable	2,988	3,506
State currently payable	893	1,040
Deferred taxes-net	1,225	1,171
Investment tax credit amortization	(257)	(257)
Property and other taxes	4,505	4,311
Total operating expenses	70,950	72,524
OPERATING INCOME	11,815	13,051
OTHER INCOME AND DEDUCTIONS:		
Allowance for equity funds used during construction	0	7
Interest income	56	46
Miscellaneous	214	177
Income taxes	(111)	(92)
Total other income and deductions	159	138
INCOME BEFORE INTEREST CHARGES	11,974	13,189
INTEREST CHARGES:		

Long-term debt	3,811	3,843
Other interest charges	488	122
Allowance for borrowed funds used during construction	(82)	(27)
Total interest charges	4,217	3,938
NET INCOME	7,757	9,251
PREFERRED STOCK DIVIDENDS	614	613
NET INCOME AVAILABLE FOR COMMON STOCK	\$ 7,143	\$ 8,638
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	9,564	9,401
EARNINGS PER COMMON SHARE OUTSTANDING	\$.74	\$.91
DIVIDENDS PAID PER COMMON SHARE	\$.52	\$.52

The accompanying Notes to Financial Statements are an integral part of these statements.

INTERSTATE POWER COMPANY
BALANCE SHEETS

ASSETS

	Mar. 31 1995	Dec. 31 1994
	(In Thousands)	
UTILITY PLANT (at original cost)	\$883,429	\$879,897
Less accumulated provision for depreciation	385,194	379,216
Utility plant - net	498,235	500,681
OTHER PROPERTY AND INVESTMENTS	477	522
CURRENT ASSETS:		
Cash and cash equivalents	1,664	1,537
Accounts receivable less reserve	24,993	22,350
Inventories - at average cost:		
Fuel	15,523	24,220
Materials and supplies	5,424	5,208
Prepaid income tax	7,070	6,197
Other prepayments and current assets	6,664	5,954
Total current assets	61,338	65,466
DEFERRED DEBITS:		
Regulatory assets for deferred income taxes	27,686	27,469
Deferred energy efficiency costs	18,203	16,961
Other	17,475	17,746

Total deferred debits	63,364	62,176
TOTAL	\$623,414	\$628,845

The accompanying Notes to Financial Statements are an integral part of these statements.

INTERSTATE POWER COMPANY
BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	Mar. 31 1995	Dec. 31 1994
CAPITALIZATION:		
Common stock, par value \$3.50 per share; Authorized - 30,000,000 shares; issued and outstanding - 9,564,287 in 1995 and 9,564,287 in 1994	\$ 33,475	\$ 33,475
Additional paid-in capital	103,127	103,137
Retained earnings	58,063	55,893
Total common equity	194,665	192,505
Preferred stock, par value \$50 per share	34,777	34,752
Total stockholders' equity	229,442	227,257
Long-term debt	189,050	189,032
Total capitalization	418,492	416,289
CURRENT LIABILITIES:		
Commercial paper payable	22,100	35,600
Long-term debt maturing within one year	14,000	14,000
Accounts payable	11,179	14,133

Payroll, interest and taxes accrued	25,103	19,342
Other	13,676	12,147
Total current liabilities	86,058	95,222
DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES:		
Accumulated deferred income taxes	89,723	88,176
Accumulated deferred investment tax credits	18,812	19,069
Other	10,329	10,089
Total deferred credits and other non-current liabilities	118,864	117,334
TOTAL	\$623,414	\$628,845

The accompanying Notes to Financial Statements are an integral part of these statements.

INTERSTATE POWER COMPANY
STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	1995	1994
	(In Thousands)	
RECONCILIATION OF NET INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,757	\$ 9,251
Adjustment for non-cash items:		
Depreciation	7,226	6,861
Deferred income taxes	1,331	1,109
Investment tax credit amortization	(257)	(257)
Allowance for equity funds used during construction	(0)	(7)
Deferred pension cost	0	23
Changes in assets and liabilities:		
Accounts receivable - net	(2,643)	(1,567)
Fuel	8,700	13,404
Materials and supplies	(217)	(507)
Accounts payable and other current liabilities	(1,501)	(2,289)
Accrued and prepaid taxes	2,868	2,496

Interest accrued	1,669	1,707
Other prepayments and current assets	(710)	(3,005)
Deferred energy conservation costs	(1,242)	(777)
Regulatory Assets	578	(458)
Other operating activities	627	461
Cash flows from operating activities	24,186	26,445
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant	(4,792)	(5,778)
Allowance for borrowed funds used during construction	(82)	(27)
Other	(110)	(60)
Cash flows from investing activities	(4,984)	(5,865)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	0	1,299
Retirement of long-term debt	(3)	(3)
Dividends on common and preferred stock	(5,572)	(5,487)
Sale of commercial paper - net	(13,500)	(17,600)
Cash flows from financing activities	(19,075)	(21,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	\$ 127	\$ (1,211)
CASH AND CASH EQUIVALENTS:		
Beginning of period	\$ 1,537	\$ 3,083
End of period	\$ 1,664	\$ 1,872
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$ 2,445	\$ 2,118
Income taxes	\$ 0	\$ 90

The accompanying Notes to Financial Statements are an integral part of these statements.

INTERSTATE POWER COMPANY

Summarized Financial Information

The March 31, 1995 financial statements included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The accounting policies followed by the company are set forth in Note 1 to the company's financial statements in the 1994 Form 10-K. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the company's Form 10-K for the year ended December 31, 1994.

In the opinion of the company, the financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary to fairly state the results of operations.

Notes to Financial Statements

In March 1995 the company filed an application with the Iowa Utilities Board for an increase in electric rates in an annual amount of approximately \$13.1 million. The application includes a request for increased interim rates in an annual amount of \$9.6 million. The Board has until June 29, 1995 to rule on the level and effective date of the requested interim rate increase. Any interim rate increase will be collected subject to refund upon final determination by the Board.

On May 1, 1995 the company filed an application with the Minnesota Public Utilities Commission for an increase in gas rates in an annual amount of \$2.4 million. A decision on the final rate increase is expected in March 1996.

INTERSTATE POWER COMPANY PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis

The company's results of operations and financial condition are affected by numerous factors, including weather, sales, and the amount of changes in customer rates. The dividend of \$2.08 per share annually and \$0.52 per quarter has been maintained, however, the Board of Directors will be monitoring future dividends and the current level cannot be assured.

EARNINGS PER SHARE for the first quarter of 1995 were \$0.74 compared to \$0.91 for the corresponding period in 1994. Gas sales and electric sales to residential and commercial customers were down in the first quarter of 1995, primarily because of mild weather.

The ELECTRIC MARGIN (revenue less cost of fuel and purchased power) for the first quarter of 1995 was \$34.9 million compared to \$35.2 million for the first quarter of 1994. The decrease is primarily a result of lower sales to residential and commercial customers. The reduction in interchange sales did not significantly affect the electric margin nor net income, as the margin on such sales allocable to the Iowa jurisdiction is flowed back to customers through the fuel clause adjustment.

ELECTRIC SALES (Mwh)	Three Months Ended March 31		
	1995	1994	% Change
Residential	268,769	279,483	(3.8)
Commercial	187,415	194,323	(3.6)
Large Power & Light	768,701	713,782	7.7
Interchange	4,973	18,690	(73.4)
Sales for Resale	64,049	63,282	1.2
Other	15,384	16,200	(5.0)
Total Electric Sales	1,309,291	1,285,760	1.8

The decrease in residential and commercial electric sales is primarily a result of milder weather this year. Large power & light sales increased 7.7% due to favorable economic conditions. The decrease in interchange sales to other utilities was primarily due to unusually high sales during extremely cold weather in January 1994.

ELECTRIC REVENUES (000'S)	Three Months Ended March 31		
	1995	1994	% Change
Residential	19,185	19,556	(1.9)
Commercial	11,760	11,992	(1.9)
Large Power & Light	28,235	25,724	9.8
Interchange	106	578	(81.7)
Sales for Resale	2,188	2,158	1.4
Other	2,329	2,367	(1.6)
Total Electric Revenues	63,803	62,375	2.3

The increase in revenues for the first quarter of 1995 is primarily due to the increased large power & light sales. In addition, the company received IUB approval to collect \$6.7 million of demand side management (DSM) costs over a 4-year period effective October 1994. These factors were partially offset by the reduced interchange sales and a \$0.9 million first quarter of 1994 overcollection of interim Iowa electric rates.

The GAS MARGIN (revenue less purchased gas) for the first quarter of 1995 was \$9.0 million compared to \$10.2 million for the same period in 1994. The decrease was primarily attributable to lower residential and commercial sales. The COST OF GAS SOLD decreased \$3.1 million, or 23.5%, during the first quarter of 1995 compared to the same period in 1994 primarily due to a

12.8% decrease in volumes sold and a 13.7% reduction in the unit cost of gas. The reduction in cost is attributable to favorable gas prices as a result of mild heating season temperatures.

GAS DELIVERIES (MMcf)	Three Months Ended March 31		
	1995	1994	% Change
Residential	2,231	2,552	(12.6)
Commercial	1,275	1,435	(11.1)
Industrial	467	577	(19.1)
Other	11	4	
Total Gas Sales	3,984	4,568	(12.8)
Gas Transportation	6,616	5,920	11.8
Total Gas Deliveries	10,600	10,488	1.1

The decrease in residential and commercial gas sales is mainly a result of milder temperatures in 1995. The overall increase of 1.1% is primarily due to the increase in transportation volumes delivered to industrial customers.

GAS REVENUES (000's)	Three Months Ended March 31		
	1995	1994	% Change
Residential	\$11,053	\$13,403	(17.5)
Commercial	5,657	6,875	(17.7)
Industrial	1,587	2,231	(28.9)
Other	59	47	
Total Gas Sales Revenues	18,356	22,556	(18.6)
Gas Transportation	607	644	(5.7)
Total Gas Revenues	\$18,963	\$23,200	(18.3)

The decrease in residential and commercial revenues is primarily a result of decreased sales due to milder temperatures. Revenue from retail industrial sales decreased mainly as a result of the decreased sales. Transportation revenues for the first quarter of 1994 included \$61,000 of take-or-pay revenues received from an industrial customer.

There have been no significant developments concerning FERC Order 636 transition costs since the company's discussion of this matter in the 1994 Annual Report to Stockholders.

FUEL FOR ELECTRIC GENERATION increased \$1.2 million, or 8.0%, in the first quarter of 1995 compared to the same period in 1994. This increase resulted from a 3.4% increase in kilowatt-hours generated by the company and an energy clause adjustment of \$1.7 million.

PURCHASED POWER EXPENSE increased \$0.5 million, or 4.8%, during the first quarter of 1995 compared to 1994. This increase is primarily a result of the 7.2% increase in Kwh's purchased. Capacity charges included in purchased power expense were \$5.8 million for both the first quarter of 1995 and the first quarter of 1994.

DEPRECIATION EXPENSE increased by \$0.4 million or 5.3%. This is primarily due to increased investment in utility plant and increased depreciation rates

implemented in the fourth quarter of 1994.

Total INCOME TAX EXPENSE decreased approximately \$0.6 million during the first quarter of 1995 compared to the first quarter of 1994. The decrease is mainly due to lower income.

PROPERTY AND OTHER TAXES increased 4.5% during the first quarter of 1995 compared to the same period in 1994. The increase is primarily attributable to higher assessed valuations in the State of Iowa.

OTHER INCOME for the first quarter of 1995 includes \$253,000 of energy efficiency carrying costs and curtailment credits compared to \$127,000 for the same period in 1994. The increase is primarily due to an increase in the total amount of deferred energy efficiency costs (\$13.9 million at March 31, 1995 compared to \$10.4 million at March 31, 1994) and to an increase in the carrying cost rate.

OTHER INTEREST EXPENSE increased \$0.4 million primarily due to interest on short-term borrowings. Short-term interest expense was \$448,000 for the first quarter of 1995 compared to \$91,000 for the first quarter of 1994. The average outstanding balance of short-term borrowings during the first quarter of 1995 was \$29.9 million compared to \$10.8 million during the first quarter of 1994. Interest rates for the first quarter of 1995 averaged 5.99% compared to 3.34% in 1994.

AVERAGE TEMPORARY INVESTMENTS during the first quarter of 1995 were \$1.9 million compared to \$4.2 million in 1994. The average interest rate was 5.73% in the first quarter of 1995 compared to 2.96% in 1994.

FUEL INVENTORIES increased \$5.8 million during the first quarter of 1995 compared to the same period in 1994. The March 31, 1994 inventory reflected a planned draw down of the coal pile at the M. L. Kapp Power Plant to facilitate a construction project.

CONSTRUCTION EXPENDITURES during the first quarter of 1995 totaled \$4.8 million compared to \$5.8 million for the same period in 1994. Construction work in progress as of March 31, 1995 totalled \$8.4 million compared to \$6.2 million at March 31, 1994. Approximately \$1.2 million of the 1995 construction expenditures is attributable to waste water treatment facilities at the company's M. L. Kapp generating station and two transmission line rebuild projects. The 1995 construction program is estimated to be \$30 million.

In 1993 the company adopted Statement of Financial Accounting Standards (SFAS) 106, "EMPLOYER'S ACCOUNTING FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS". Under the provisions of SFAS 106, the estimated future cost of providing postretirement benefits will be accrued during the employees' service periods. The Iowa Utilities Board has allowed the company to recover SFAS 106 costs in its Iowa gas rates effective May 1993 and Iowa electric rates effective October 1993. As of March 31, 1995, the company has deferred approximately \$1.9 million of SFAS 106 costs applicable to its Minnesota and

FERC jurisdictions pending the filing of rate cases to recover the costs.

In March 1995 the company filed an application with the Iowa Utilities Board for an increase in electric rates in an annual amount of approximately \$13.1 million. The application includes a request for increased interim rates in an annual amount of \$9.6 million. The Board has until June 29, 1995 to rule on the level and effective date of the requested interim rate increase. Any interim rate increase will be collected subject to refund upon final determination by the Board.

On May 1, 1995 the company filed an application with the Minnesota Public Utilities Commission for an increase in gas rates in an annual amount of \$2.4 million. A decision on the final rate increase is expected in March 1996.

The company's potential liability for coal tar waste at former manufactured gas plant sites was discussed in the 1994 Annual Report to Stockholders. The status of the former manufactured gas plant sites remains substantially unchanged, except that:

1. In April 1995 the company received a deferral accounting order from the Minnesota Public Utilities Commission. The accounting order allows the company to seek recovery of certain previously expensed investigation and remediation costs in the state of Minnesota.
2. In 1994, the company filed a lawsuit in Cook County, Illinois, Circuit Court-Chancery Division against certain of its insurers to recover the costs of investigating and remediating, as necessary, the sites of former manufactured gas plants. Subsequently, in an April 1995 ruling, the Chancery Division dismissed the action on grounds of forum non conveniens. The company is evaluating its options, which include appeal or refiling the case in another jurisdiction.

INTERSTATE POWER COMPANY
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1994 Form 10-K Item 3 for certain pending legal proceedings and proceedings. Reference is also made to the Management Discussion and Analysis included herein. Other than these items, there are no material pending legal proceedings, or proceedings known to be contemplated by governmental authorities, other than ordinary routine litigation incidental to the business, to which the company is a party or of which any of the company's property is the subject.

ITEM 2. CHANGES IN SECURITIES

The rights of holders of registered securities have not been materially modified, limited or qualified.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No defaults upon senior securities.

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

(a) THE DATE OF THE MEETING AND WHETHER IT WAS AN ANNUAL OR SPECIAL MEETING.

On May 2, 1995 the Annual Stockholders Meeting was held.

(b) IF THE MEETING INVOLVED THE ELECTION OF DIRECTORS, THE NAME OF EACH DIRECTOR ELECTED AT THE MEETING AND THE NAME OF EACH OTHER DIRECTOR WHOSE TERM OF OFFICE AS A DIRECTOR CONTINUED AFTER THE MEETING.

The two Class I members of the Board of Directors were re-elected, to hold office for terms as follows:

Alfred D. Cordes	term expiring in 1998
Joyce L. Hanes	term expiring in 1998

Following are the Class II and III members of the Board of Directors whose terms continued after the meeting:

James E. Byrns	term expiring in 1996
Gerald L. Kopischke	term expiring in 1996
Alan B. Arends	term expiring in 1997
Nicholas J. Schrup	term expiring in 1997
Wayne H. Stoppelmoor	term expiring in 1997

(c) A BRIEF DESCRIPTION OF EACH OTHER MATTER VOTED UPON AT THE MEETING AND STATE THE NUMBER OF VOTES CAST FOR, AGAINST OR WITHHELD, AS WELL AS THE NUMBER OF ABSTENTIONS AND BROKER NON-VOTES, AS TO EACH SUCH MATTER, INCLUDING A SEPARATE TABULATION WITH RESPECT TO EACH NOMINEE FOR OFFICE.

The election of two Class I directors, Alfred D. Cordes and Joyce L. Hanes, to hold office for a term of three years expiring at the annual meeting of stockholders of the company to be held in 1998.

Votes cast were as follows:

	For	Against	Abstain
Alfred D. Cordes	7,613,200	94,018	63,878
Joyce L. Hanes	7,608,901	95,528	63,878

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) No exhibits filed as a part.

(b) No reports were filed on Form 8-K.

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 thereunto duly authorized.

Interstate Power Company
(Registrant)

Date May 10, 1995

/s/ W. C. Troy
W. C. Troy, Controller
(Duly Authorized Officer and
Principal Accounting Officer)

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