

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

WASHINGTON ENERGY CO

CIK: **225998** | IRS No.: **911005304** | State of Incorporation: **WA** | Fiscal Year End: **0930**
Type: **8-K** | Act: **34** | File No.: **001-11227** | Film No.: **94541136**
SIC: **4924** Natural gas distribution

Mailing Address
P O BOX 1869
SEATTLE WA 98111

Business Address
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SEATTLE WA 98111-1869
2066226767

WASHINGTON NATURAL GAS CO

CIK: **104880** | IRS No.: **91100530** | State of Incorporation: **WA** | Fiscal Year End: **0930**
Type: **8-K** | Act: **34** | File No.: **001-11271** | Film No.: **94541143**
SIC: **4922** Natural gas transmission

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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 August 1, 1994

Commission File Number	Registrant	State of Incorporation	I.R.S. Employer Identification Number
001-11227	Washington Energy Company	Washington	91-1005304
001-11271	Washington Natural Gas Company	Washington	91-1005303

815 Mercer Street, Seattle, Washington 98111
(Address of Registrant's principal executive offices)
Registrant's telephone number, including area code: (206) 622-6767

1

Item 5. Other Events

On July 27, 1994, Washington Energy Company made the following press release:

THIRD-QUARTER LOSS REFLECTS CHARGES

SEATTLE -- Washington Energy Company (NYSE:WEG) recorded third-quarter charges totaling \$40.9 million, or \$1.74 per share, as it "sets in motion the strategy for restoring long-term profitability," Chairman, Chief Executive Officer and President William P. Vititoe announced today.

As a result, the company experienced a net loss of \$48.9 million, or

\$2.08 per share, for the quarter ended June 30, 1994. That compares with a \$1.7 million loss, or 7 cents per share, for the same quarter one year ago. Excluding the charges, Washington Energy lost \$8.0 million, or 34 cents per share, during the quarter.

A summary of three-month and nine-month results for the period ending June 30, 1994 follows:

<TABLE>

<S>	3 months		9 months	
	In millions	Per Share	In millions	Per Share
Earnings without 3rd quarter charges	\$ (8.0)	\$ (.34)	\$ 7.1	\$.30
3rd quarter charges	\$ (40.9)	\$ (1.74)	\$ (40.9)	\$ (1.75)
Loss on common	\$ (48.9)	\$ (2.08)	\$ (33.8)	\$ (1.45)

</TABLE>

Restructuring and other charges

After-tax charges, totaling \$11.9 million, relate to restructuring and downsizing Washington Energy's utility subsidiary, writing off costs deemed to be unrecoverable and establishing reserves for certain deferred assets.

By Sept. 30, the utility anticipates a staffing reduction of approximately 10 percent from its level of 1,480 employees as of Oct. 1993, the

2

beginning of the fiscal year, Vititoe said.

"While the specific cost savings from the downsizing are not fully defined at this stage, our utility's restructuring does consolidate operations and eliminate layers of management," said Vititoe. "We are giving our customers more direct access to the company and better service.

"Our reengineering efforts have just begun, yet we already have uncovered opportunities for greater efficiency. Some require new or upgraded systems, while others simply require changes in existing processes. Both are now underway. We view this reengineering as an ongoing process that will result in continuing improvement in productivity," Vititoe said.

The charge to earnings covers estimated severance costs as well as costs incurred in planning a new headquarters building, which now is not needed.

In addition, the company established reserves for estimated environmental investigation, legal and remediation costs associated with former manufactured gas plant sites and wrote off certain deferred costs. It also recognized a liability for its supplemental executive retirement plan to reflect recent management changes and the timing difference between payments under the plan and the receipt of life insurance proceeds that fund the plan.

"Obviously, we cannot guarantee that there will be no surprises in the future, but we have thoroughly reviewed our books and expensed any items we felt would not be recoverable in rates or which represented a risk of probable loss in the future," Vititoe said. "In essence we have cleaned-up our balance sheet."

Loss on oil and gas merger

After-tax charges totaling \$29 million relate to the merger of the company's oil and gas exploration subsidiary, Washington Energy Resources, with Cabot Oil & Gas Corp. (NYSE:COG) of Houston. The charges reflect an after-tax loss on the merger after establishing deferred taxes of \$24.0 million and include a reserve for a purchase-price contingency. Reserves also

3

were established for estimated future losses on transportation contracts and certain natural gas futures contracts retained by Washington Energy Company.

Vititoe explained that the merger "allows us now to concentrate on our natural gas utility. It establishes a clear, market-determined value for our substantial oil and gas investment and provides the potential for a greater level of income, with less risk and diversion of management focus and with no need to invest additional capital."

Dividend unchanged

Vititoe re-emphasized his commitment not to recommend to the Board of Directors any change in the current annual dividend. He noted the strategies that the company is employing -- downsizing and reengineering Washington Natural Gas, a more collaborative approach to the regulatory process and the merger of the oil and gas exploration subsidiary -- form the cornerstone in a strategy to improve profitability, and should support the dividend over the long term.

Other factors: rates, weather, growth, merchandise sales

The third-quarter loss also reflects a lower profit margin for Washington Natural Gas due to a \$15.4 million annual revenue decrease as a result of a rate order for Washington Natural Gas which went into effect in October 1993. However, future margins will be improved with a rate increase that was implemented on June 4, 1994. Washington Natural Gas, with approval from the Washington Utilities and Transportation Commission reached a negotiated settlement that will increase revenues by \$19 million on an annual basis.

Also, weather during the quarter was approximately 18 percent warmer than normal and 1 percent warmer than a year ago. A combination of slightly warmer temperatures and shifting by some large-volume customers between classes and to alternative fuels lowered gas sales volumes, which were down approximately 3 percent.

The company served 21,300, or 5 percent, more customers compared to a year ago, partially offsetting the effects of warmer weather. Washington

4

Natural Gas now serves more than 445,000 customers in the central Puget Sound region of western Washington.

Although the company anticipated lower income from Washington Energy Company's retail merchandise sales operation, it actually incurred an operating loss during the quarter. Most of these merchandising activities were part of Washington Natural Gas until Oct. 1, 1993, when the merchandise sales operation was reestablished in a new subsidiary .

12-month results

Income from continuing operations showed a loss of \$1.77 per share for the 12 months ended June 30, 1994; excluding the third-quarter charges, the loss was 2 cents a share. This is down from income of \$1.06 a share for the same period a year ago. The 12-month results reflect the same factors that affected quarterly earnings. In addition, lower income from retail merchandise sales operations, a loss from pipeline demand charges and brokerage activities and a number of other one-time charges discussed in the prior quarters contributed to the 12-month loss.

The results for the 12-month period also include a charge of 44 cents per share for the divestiture of the Unisyn Biowaste Technology operation recorded in the fourth quarter of last fiscal year. After discontinued operations, the company reported a loss of \$2.21 a share.

Summary

"The third-quarter charges and losses will result in Washington Energy Company closing out its fiscal year on Sept. 30 with a loss. However, through the restructuring, we have repositioned the company for improved profitability in fiscal 1995 and beyond," Vititoe said.

<TABLE>
WASHINGTON ENERGY COMPANY

SUMMARY INCOME STATEMENT AND OTHER FINANCIAL DATA
(Dollars in thousands, except per share amounts)

<S>	3 Months Ended June 30 (1)		12 Months Ended June 30	
	<C> 1994	<C> 1993	<C> 1994	<C> 1993
Washington Energy Company				
Operating Revenues				
Utility sales of gas	\$ 70,102	\$ 66,434	\$ 391,482	\$ 344,925
Merchandise and other	6,961	16,986	56,484	77,785
Oil and natural gas production		7,486	9,767	26,064
Total operating revenues	\$ 77,063	\$ 90,906	\$ 457,733	\$ 448,774
Operating income (loss)	\$ (7,036)	\$ 7,596	\$ 28,543	\$ 56,328
Income (loss) from continuing operations	\$ (48,916)	\$ (1,034)	\$ (40,575)	\$ 23,483
Discontinued operations, net of income taxes				
Loss from operations		(667)	(563)	(2,640)
Loss on disposal			(9,818)	
Net income (loss)	\$ (48,916)	\$ (1,701)	\$ (50,956)	\$ 20,843
Preferred dividends		24	34	102
Preferred redemption			673	
Earnings (loss) on common stock	\$ (48,916)	\$ (1,725)	\$ (51,663)	\$ 20,741
Earnings (loss) per common share	(\$2.08)	(\$.07)	(\$2.21)	\$.94
Dividends per common share	\$.25	\$.35	\$1.10	\$1.40
Average common shares outstanding in thousands	23,529	23,129	23,383	22,131
Book value per share			\$11.64	\$14.94
Capitalization and Short-Term Debt				
Common			\$ 274,804	\$ 346,798
Preferred			60,000	27,300
Long-term debt			330,200	276,400
Current Portion LT Debt			20,140	14,508
Commercial paper and notes payable			98,413	133,809
Total capitalization and short-term debt			\$ 783,557	\$ 798,815

Net plant \$ 755,146 \$ 838,941

Operating Income (Loss) by Business Segment

Before Income Taxes				
Natural gas distribution	\$ (14,585)	\$ 3,995	\$ 23,992	\$ 50,091
Retail merchandise and services	(511)	643	1,798	8,209
Oil and natural gas		1,687	1,923	7,207
Other	(427)	(81)	(4,078)	(733)
Total	\$ (15,523)	\$ 6,244	\$ 23,635	\$ 64,774

(1) Results for the quarter are not indicative of what can be expected for a full year of operations because operating revenues and earnings are greatly affected by variations in weather conditions.

WASHINGTON ENERGY COMPANY
FISCAL 1994 THIRD QUARTER CHARGES

(Dollars in thousands)

	After-tax Amount
<S>	<C>
Restructuring charges	
Employee severance	\$ 2,275
Headquarters building	1,939
Other	399
	4,613
Other charges	
Supplemental executive retirement plan	2,178
Receivable sale deferred asset	1,830
Environmental expenses	1,450
Disallowed gas purchase cost from affiliate	1,004
Other	825
	7,287
Oil and gas merger	
Net loss on merger	12,198
Reserve for purchase price contingency	4,420
Reserve for future gas transportation losses	10,400
Reserve for gas futures contracts	1,950
	28,968
Total	\$ 40,868

WASHINGTON ENERGY COMPANY
SUMMARY INCOME STATEMENT AND OTHER FINANCIAL DATA (Continued)

(Dollars in thousands)

	3 Months Ended		12 Months Ended	
	June 30 (1)		June 30	
<S>	1994	1993	1994	1993
	<C>	<C>	<C>	<C>
Washington Natural Gas Company				
Operating Revenues				
Firm	\$ 57,741	\$ 54,750	\$ 335,029	\$ 296,906
Interruptible	12,361	11,684	56,453	48,018
Rentals and other	2,353	1,914	9,003	8,461
Total operating revenues	\$ 72,455	\$ 68,348	\$ 400,485	\$ 353,385
Gross utility margin - gas revenues less gas purchases	\$ 29,291	\$ 34,295	\$ 167,369	\$ 171,391
Net income (loss)	\$ (16,968)	\$ (1,539)	\$ (4,301)	\$ 20,417
Utility gas sales (000's of therms)				
Firm	104,187	107,759	636,969	620,166
Interruptible	61,436	63,147	254,844	265,761
Total sales of gas	165,623	170,906	891,813	885,927
Customers served (average)				
Firm	446,570	425,222	438,360	416,426
Interruptible	1,005	1,009	1,050	1,061
Total customers	447,575	426,231	439,410	417,487

Weather % colder (+) or warmer (-) than normal (in terms

of degree days)	-18.5%	-17.6%	-5.4%	-3.2%
Degree days	714	732	4,496	4,620

(1) Results for the quarter are not indicative of what can be expected for a full year of operations because operating revenues and earnings are greatly affected by variations in weather conditions.

</TABLE>

In addition, Washington Energy Company made the following press release on July 27, 1994:

JUDGE DIMMICK DISMISSES SHAREHOLDERS CLASS-ACTION SUIT

SEATTLE -- A class-action lawsuit brought by two shareholders of Washington Energy Company was dismissed yesterday (July 26) by U.S. District Court Judge Carolyn R. Dimmick in Seattle.

The suit, filed by the Hagens & Berman law firm on behalf of two plaintiffs, alleged that Washington Energy Company and two of its officers had failed to communicate to shareholders the risks associated with a 1992 general rate filing by the company's Washington Natural Gas subsidiary.

In granting judgment in favor of Washington Energy Company, the Court noted that relevant information had been available from public records of the Washington Utilities and Transportation Commission.

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.

WASHINGTON ENERGY COMPANY

by /S/ James P. Torgerson
Senior Vice President - Finance,
Planning and Development and
Chief Financial Officer

WASHINGTON NATURAL GAS COMPANY

by /S/ James P. Torgerson
Senior Vice President - Finance,
Planning and Development and
Chief Financial Officer

August 1, 1994