

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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SOUTHWESTERN ELECTRIC POWER CO

CIK: **92487** | IRS No.: **720323455** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-04308** | Film No.: **94528378**
SIC: **4911** Electric services

Business Address
428 TRAVIS ST
SHREVEPORT LA 71156
318222141

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended March 31, 1994

.....

OR

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

For the transition period to

Commission file number 1-3146

.....

Southwestern Electric Power Company

.....

(Exact name of registrant as specified in its charter)

Delaware

72-0323455

.....
(State or other jurisdiction of incorporation or organization)

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

428 Travis Street, Shreveport, Louisiana 71156-0001

.....

(Address of principal executive offices)
(Zip Code)

(318) 222-2141

.....

(Registrant's telephone number, including area code)

.....
(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 x No

Number of shares of Common Stock outstanding at April 30, 1994: 7,536,640
.....

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SOUTHWESTERN ELECTRIC POWER COMPANY

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SOUTHWESTERN ELECTRIC POWER COMPANY

STATEMENTS OF INCOME
(Unaudited)

	THREE MONTHS ENDED MARCH, 31	
	1994	1993
	(Thousands)	
ELECTRIC OPERATING REVENUES	\$190,066	\$175,601
OPERATING EXPENSES AND TAXES		
Fuel	85,981	77,069
Purchased power	4,559	2,525
Other operating	29,211	28,617
Maintenance	8,976	10,484
Depreciation and amortization	19,762	18,482
Taxes, other than Federal income	12,900	11,698
Federal income taxes	3,857	2,773
	165,246	151,648
OPERATING INCOME	24,820	23,953
OTHER INCOME AND DEDUCTIONS		
Other	1,717	530
INCOME BEFORE INTEREST CHARGES	26,537	24,483
INTEREST CHARGES		
Interest on long-term debt	10,813	10,685
Interest on short-term debt and other	1,187	934
	12,000	11,619
Income before Cumulative Effect of Changes in		

Accounting Principles	14,537	12,864
Cumulative Effect of Changes in Accounting Principles	-	3,405
NET INCOME	14,537	16,269
Preferred Stock Dividends	840	840
NET INCOME FOR COMMON STOCK	\$ 13,697	\$ 15,429

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

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SOUTHWESTERN ELECTRIC POWER COMPANY

BALANCE SHEETS
(Unaudited)

MARCH 31, DECEMBER 31,
1994 1993
(Thousands)

ASSETS

ELECTRIC UTILITY PLANT

Production	\$1,397,827	\$1,392,058
Transmission	354,668	350,625
Distribution	691,290	678,788
General	196,959	188,193
Construction work in progress	123,970	126,258
	2,764,714	2,735,922
Less - Accumulated depreciation	967,637	947,792
	1,797,077	1,788,130

CURRENT ASSETS

Cash and temporary cash investments	7,581	6,723
Accounts receivable	29,337	24,363
Materials and supplies, at average cost	25,350	25,218

Fuel inventory, at average cost	36,757	49,487
Deferred income taxes	4,521	3,912
Prepayments and other	12,261	14,965
	115,807	124,668
DEFERRED CHARGES AND OTHER ASSETS	59,785	55,487
	\$1,972,669	\$1,968,285

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

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SOUTHWESTERN ELECTRIC POWER COMPANY

BALANCE SHEETS
(Unaudited)

MARCH 31,	DECEMBER 31,
1994	1993
(Thousands)	

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock, \$18 par value; authorized
7,600,000 shares; issued and outstanding

7,536,640 shares	\$ 135,660	\$ 135,660
Paid-in capital	245,000	245,000
Retained earnings	272,768	265,071
Total Common Stock Equity	653,428	645,731
Preferred stock		
Not subject to mandatory redemption	16,032	16,032
Subject to mandatory redemption	36,028	36,028
Long-term debt	600,012	602,065
Total Capitalization	1,305,500	1,299,856
CURRENT LIABILITIES		
Long-term debt due within twelve months	4,661	5,028
Advances from affiliates	24,093	27,864
Accounts payable	34,005	41,598
Fuel refund due customers	3,528	2,358
Customer deposits	14,464	14,244
Accrued taxes	31,710	27,340
Accrued interest	12,346	17,354
Accrued restructuring charges	25,203	25,203
Other	19,351	30,499
	169,361	191,488
DEFERRED CREDITS		
Income taxes	335,642	332,522
Investment tax credits	84,250	85,301
Income tax related		
regulatory liabilities - net	51,806	52,828
Other	26,110	6,290
	497,808	476,941
	\$1,972,669	\$1,968,285

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

THREE MONTHS ENDED
MARCH 31,
1994 1993
(Thousands)

OPERATING ACTIVITIES

Net income	\$ 14,537	\$ 16,269
Non-cash items included in net income		
Depreciation and amortization	22,116	20,447
Deferred income taxes and investment tax credits	440	2,496
Cumulative Effect of Changes in Accounting Principles	-	(3,405)
Allowance for equity funds used during construction	(667)	(300)
Changes in assets and liabilities		
Accounts receivable	(4,974)	3,449
Fuel inventory	12,730	13,623
Accounts payable	(7,593)	591
Accrued taxes	4,370	715
Accrued interest	(5,008)	(3,992)
Unrecovered fuel/Fuel refund due customers	1,170	(1,570)
Other	7,704	427
	44,825	48,750

INVESTING ACTIVITIES

Construction expenditures	(28,597)	(23,724)
Allowance for borrowed funds used during construction	(393)	(269)
Other	(1,286)	(787)
	(30,276)	(24,780)

FINANCING ACTIVITIES

Long-term debt sold	-	54,069
Change in short-term debt	(3,771)	(5,324)
Retirement of long-term debt	(1,365)	(7,916)
Reacquisition of long-term debt	(1,714)	(107,563)
Special deposits for reacquisition of long-term debt	-	53,500
Payment of dividends	(6,841)	(10,865)
	(13,691)	(24,099)

NET CHANGE IN CASH AND CASH EQUIVALENTS 858 (129)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 6,723 1,058

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$ 7,581 \$ 929

SUPPLEMENTARY INFORMATION

Interest paid less amounts capitalized	\$ 16,434	\$ 15,097
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Income taxes paid

\$ 373

\$ 202

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

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SOUTHWESTERN ELECTRIC POWER COMPANY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1994

(Unaudited)

(1) PRINCIPLES OF PREPARATION

The condensed financial statements included herein have been prepared by Southwestern Electric Power Company (Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. 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 Annual Report on Form 10-K for the year ended December 31, 1993.

The unaudited financial information furnished herewith reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. Information for quarterly periods is affected by seasonal variations in sales, rate changes, timing of fuel expense recovery and other factors.

Certain financial statement items for prior years have been reclassified or restated to conform to the 1994 presentation. Pursuant to changes in accounting principles made in December 1993, but effective January 1, 1993, the Company restated 1993 first quarter information to reflect the change in its method of accounting for unbilled revenues, and for the adoption of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes and SFAS No. 112, Employers' Accounting for Postemployment Benefits. The effects of restating net income for the quarter ended March 31, 1993 are as follows:

	Electric Operating Revenues	Operating Income	Net Income
1993			

(thousands)

March 31 - Reported	\$176,486	\$24,528	\$13,439
Adjustment	(885)	(575)	2,830
March 31 - restated	\$175,601	\$23,953	\$16,269

(2) REGULATORY MATTERS

On March 17, 1994, the Company filed a petition, designated as Docket No. 12855, with the Public Utility Commission of Texas to reconcile fuel costs for the period November 1989 through December 1993. Total Texas jurisdictional fuel expenses subject to reconciliation for this 50-month period were approximately \$559 million. The Company's net under-recovery for the reconciliation period was approximately \$.9 million. Discovery has begun and a hearing on the case has been scheduled to begin July 26, 1994.

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SOUTHWESTERN ELECTRIC POWER COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1994

(Unaudited)

(3) DIVIDENDS

At March 31, 1994, all of the Company's retained earnings of \$273 million were available for the payment of cash dividends to its parent company, Central and South West Corporation (CSW).

(4) COMMITMENTS AND CONTINGENT LIABILITIES

In connection with the lignite mining contract for its Henry W. Pirkey Power Plant, the Company has agreed, under certain conditions, to assume the obligations of the mining contractor. As of March 31, 1994, the maximum the Company would have to assume is \$75 million. The maximum amount may vary as the mining contractor's need for funds fluctuates. The contractor's actual obligation outstanding as of March 31, 1994 is \$66 million.

(5) FINANCING

In January 1994, the Company redeemed \$.5 million of Series U, 9-1/8% First Mortgage Bonds due November 1, 2019. The redemption was made under the terms of the Company's bond indenture. Also during January, an additional \$1.1 million of Series U bonds was acquired at a premium. The premium and related

redemption costs associated with this transaction will be recorded as a loss on reacquired debt and will be amortized over the remaining life of this issue.

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SOUTHWESTERN ELECTRIC POWER COMPANY

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 1993 Annual Report on Form 10-K. Reference is also made to the unaudited Financial Statements and related Notes to Financial Statements included herein. The information included therein should be read in conjunction with, and is essential in understanding, the following discussion and analysis.

REGULATORY MATTERS

Reference is made to Note 2 of the Notes to Financial Statements for a discussion of the Company's regulatory matters.

CONSTRUCTION PROGRAM AND FINANCING

The Company's construction expenditures totaled \$29 million during the first three months of 1994. This represents approximately 23% of the projected \$125 million construction program for 1994. The Company utilizes short-term debt to meet fluctuations in working capital requirements due to the seasonal nature of electric sales. Funds to meet the Company's construction expenditures during the first three months of 1994 came from internal sources and it is expected that the remainder of 1994's planned expenditures will also be internally financed.

If additional funds are needed, the financial condition of the Company should allow the required funds to be obtained from the capital markets at reasonable rates. At March 31, 1994, the Company's capitalization ratios were 50% common stock equity, 4% preferred stock, and 46% long-term debt.

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1994 COMPARED TO THE QUARTER ENDED MARCH 31, 1993

Net Income for Common Stock. Net income for common stock decreased 11% to

\$13.7 million for the first quarter of 1994 as compared to the same period of 1993. The decrease reflects the restatement of first quarter 1993 net income due to a change in the method of accounting for unbilled revenues, partially offset by the adoption of SFAS No. 112, Employers' Accounting for Postemployment Benefits, resulting in a \$3.4 million increase in 1993 net income due to the cumulative effect of changes in accounting principles.

Electric Operating Revenues. Operating revenues for the first quarter were \$190 million, an 8.2% increase from revenues of \$176 million in 1993. Favorable weather in the Company's service territory led to a 4.7% increase in retail energy sales. Also contributing to the increase in operating revenues were higher fuel-related revenues.

SOUTHWESTERN ELECTRIC POWER COMPANY

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Fuel and Purchased Power. An increase in generation of 4.7% more than offset a slight decrease in fuel price per mmbtu, resulting in an \$8.9 million rise in fuel expense. Purchased power expense increased by \$2.0 million as compared to the first quarter of 1993 due to a contract negotiated with Cajun Electric Power Cooperative, Inc. in conjunction with the Company's acquisition of the Bossier Rural Electric Membership Corporation.

Expenses and Taxes. Maintenance expense in the first quarter of 1994 was \$1.5 million lower than the same period in 1993 due to significantly higher than average expenditures on the Company's production and transmission facilities in 1993. Depreciation expense increased 6.9% or \$1.3 million due to capital asset additions. Additional ad valorem taxes caused the 10% or \$1.2 million increase in taxes other than federal income. Federal income taxes increased \$1.1 million or 39% as a result of higher pre-tax income and an increase in the federal income tax rate from 34% to 35% implemented by the Company in the third quarter of 1993.

Cumulative Effect of Changes in Accounting Principles. In 1993, the Company implemented SFAS No. 112, Employers' Accounting for Postemployment Benefits, SFAS No. 109, Accounting for Income Taxes and changed the method of accounting for unbilled revenues. These changes had a cumulative effect of increasing net income approximately \$3.4 million after tax.

SOUTHWESTERN ELECTRIC POWER COMPANY

PART II - OTHER INFORMATION

For background and earlier developments relating to Part II information, reference is made to the Company's 1993 Annual Report on Form 10-K.

Item 1. Legal Proceedings

See Note 2 of the Notes to Financial Statements for information relating to regulatory proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

a) The annual meeting of shareholders of the Company was held on April 13, 1994.

b) The following directors were elected:

Richard H. Bremer	Michael H. Madison
E. R. Brooks	Harry D. Mattison
James E. Davison	Marvin McGregor
Al P. Eason, Jr.	William C. Peatross
Dr. Frederick E. Joyce	Jack L. Phillips

c) No other matters (other than procedural matters) were voted upon at the annual meeting.

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits

Computation of Ratio of Earnings to Fixed Charges (Exhibit 1).

b) Reports on Form 8-K

None.

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SIGNATURE

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.

SOUTHWESTERN ELECTRIC POWER COMPANY

Date May 13, 1994

/s/ ROX E. COLVIN
Rox E. Colvin
Controller and Chief Accounting Officer

SOUTHWESTERN ELECTRIC POWER COMPANY
 RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE TWELVE MONTHS ENDED MARCH 31, 1994
 (Thousands except Ratio)
 (Unaudited)

Operating Income	\$118,924
Adjustments	
Federal and state income taxes	43,053
Provision for deferred Federal and state income taxes	(2,804)
Deferred investment tax credits	(5,093)
Other income and deductions	4,478
Allowance for borrowed and equity funds used during construction	3,071
Interest portion of financing leases	2,415
Earnings	\$164,044
Fixed Charges:	
Interest on long-term debt	\$ 41,086
Amortization of debt issuance cost	3,405
Other interest	1,839
Interest portion of financing leases	2,415
Fixed Charges	\$ 48,745
Ratio of Earnings to Fixed Charges	3.37