

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**
SEC Accession No. **0000031224-94-000062**

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EASTERN UTILITIES ASSOCIATES

CIK: **31224** | IRS No.: **041271872** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05366** | Film No.: **94528050**
SIC: **4911** Electric services

Business Address
*ONE LIBERTY SQ
P O BOX 2333
BOSTON MA 02109
6173579590*

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UNITED STATES
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

<S> <C> <C>
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 _____
<S> <C> <C>
Commission File Number 1-5366

EASTERN UTILITIES ASSOCIATES
(Exact name of registrant as specified in its charter)

<S> <C> <C>
Massachusetts 04-1271872
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

One Liberty Square, Boston, Massachusetts
(Address of principal executive offices)
02109
(Zip Code)

(617)357-9590
(Registrant's telephone number including area code)

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.....

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

<S> <C> <C>
Class Outstanding at April 30, 1994
Common Shares, \$5 par value 19,611,430 shares

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
EASTERN UTILITIES ASSOCIATES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands)
<CAPTION>

ASSETS March 31, December 31,
<S> <C> <C> 1994 1993
Utility Plant and Other Investments:

Utility Plant in Service	\$ 1,017,456	\$ 1,016,453
Less: Accumulated Provision for Depreciation and Amortization	305,635	296,995
Net Utility Plant in Service	711,821	719,458
Construction Work in Progress	12,711	8,728
Net Utility Plant	724,532	728,186
Investments in Jointly Owned Companies	73,031	73,632
Non-Utility Plant - Net	110,242	104,462
Total Plant and Other Investments	907,805	906,280
Current Assets:		
Cash and Temporary Cash Investments	17,301	4,180
Accounts Receivable, Net	81,583	84,839
Notes Receivable	12,721	11,736
Materials and Supplies	11,040	13,133
Other Current Assets	16,703	16,340
Total Current Assets	139,348	130,228
Deferred Debits and Other Non-Current Assets	166,424	166,629
Total Assets	\$ 1,213,577	\$ 1,203,137
LIABILITIES AND CAPITALIZATION		
Capitalization:		
Common Shares, \$5 Par Value	\$ 97,949	\$ 95,163
Other Paid-In Capital	205,882	202,182
Common Share Expense	(3,824)	(3,822)
Retained Earnings	48,062	39,642
Total Common Equity	348,069	333,165
Non-Redeemable Preferred Stock - Net	6,900	6,900
Redeemable Preferred Stock - Net	25,039	25,053
Long-Term Debt - Net	495,841	496,816
Total Capitalization	875,849	861,934
Current Liabilities:		
Long-Term Debt Due Within One Year	5,296	5,415
Notes Payable	46,048	37,168
Preferred Stock Sinking Fund	50	50
Accounts Payable	30,735	36,111
Taxes Accrued	9,206	12,299
Interest Accrued	9,662	10,688
Other Current Liabilities	20,097	19,285
Total Current Liabilities	121,094	121,016
Deferred Credits and Other Non-Current Liabilities	81,863	82,747
Accumulated Deferred Taxes	134,771	137,440
Total Liabilities and Capitalization	\$ 1,213,577	\$ 1,203,137

<FN>

See accompanying notes to consolidated condensed financial statements.

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EASTERN UTILITIES ASSOCIATES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(In Thousands Except Number of Shares and Per Share Amounts)

<CAPTION>

<S>	<C>	Three Months Ended	
		March 31, 1994	1993
	<C>	<C>	<C>
Operating Revenues	\$	150,197	\$ 137,682
Operating Expenses:			
Fuel		23,183	20,439
Purchased Power		34,902	35,010
Other Operation and Maintenance		44,291	38,124
Depreciation and Amortization		11,395	11,160
Taxes - Other Than Income		6,871	6,428
- Current Income		5,822	5,005
- Deferred Income		2,163	335
Total		128,627	116,501
Operating Income		21,570	21,181
Other Income - Net		5,310	4,195
Income Before Interest Charges		26,880	25,376

Interest Charges:		
Interest on Long-Term Debt	9,773	10,967
Other Interest Expense	1,279	1,555
Allowance for Borrowed Funds Used		
During Construction (Credit)	(345)	(387)
Net Interest Charges	10,707	12,135
Net Income	16,173	13,241
Preferred Dividends of Subsidiaries	583	994
Consolidated Net Earnings	\$ 15,590	\$ 12,247

Weighted Average Number of Common Shares Outstanding	19,388,017	17,283,603
Consolidated Earnings Per Average Common Share	\$ 0.80	\$ 0.71
Dividends Paid	\$ 0.36	\$ 0.34

<FN>
See accompanying notes to consolidated condensed financial statements.

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EASTERN UTILITIES ASSOCIATES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In Thousands)

<CAPTION>

	Three Months Ended	
	March 31,	
	1994	1993
<S> <C>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	\$ 16,173	\$ 13,241
Adjustments to Reconcile Net Income		
to Net Cash Provided from Operating Activities:		
Depreciation and Amortization	14,011	14,012
Deferred Taxes	2,293	511
Gains on Sales of Investments in Energy Savings		
Projects Paid for with Notes Receivable	(708)	(248)
Investment Tax Credit, Net	(295)	(334)
Allowance for Funds Used During Construction	(69)	(74)
Other - Net	(710)	2,747
Change in Operating Assets and Liabilities	(3,747)	(5,808)
Net Cash Provided From Operating Activities	26,948	24,047
CASH FLOW FROM INVESTING ACTIVITIES:		
Construction Expenditures	(7,238)	(15,460)
Acquisition of Northeast Energy Management, Inc.	(8,567)	
Increase in Other Investments	(81)	
Net Cash (Used in) Investment Activities	(15,886)	(15,460)
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuances:		
Common Stock	2,295	2,332
Long-Term Debt	7,926	
Redemptions:		
Long-Term Debt	(9,042)	(4,225)
Premium on Reacquisition and Financing Expenses	(396)	(114)
EUA Common Share Dividends Paid	(7,021)	(5,862)
Subsidiary Preferred Dividends Paid	(583)	(978)
Net Increase in Short-Term Debt	8,880	1,180
Net Cash Provided from (Used in) Financing Activities	2,059	(7,667)
Net Increase in Cash and Temporary Cash Investments	13,121	920
Cash and Temporary Cash Investments		
at Beginning of Period	4,180	29,614
Cash and Temporary Cash Investments		

at End of Period \$ 17,301 \$ 30,534

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest (Net of Capitalized Interest)	\$ 10,759	\$ 14,955
Income Taxes	\$ 1,607	\$ 969

Supplemental schedule of non-cash investing activities:

Conversion of Investments in Energy Savings		
Projects to Notes and Leases Receivable	\$ 1,986	\$ 386

<FN>

See accompanying notes to consolidated condensed financial statements.

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EASTERN UTILITIES ASSOCIATES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The accompanying Notes should be read in conjunction with the Notes to Consolidated Financial Statements incorporated in the Eastern Utilities Associates (EUA or the Company) 1993 Annual Report on Form 10-K.

Note A - In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly its financial position as of March 31, 1994 and December 31, 1993, and the results of operations and cash flows for the three months ended March 31, 1994 and 1993. Certain reclassifications have been made to prior period financial statements to conform to current period classifications.

The Consolidated Condensed Statement of Income and the Consolidated Condensed Statement of Cash Flows for the three month period ending March 31, 1993 have been restated to reflect consolidation of EUA Cogenex Partnerships which were previously accounted for as equity investments. This restatement had no impact on Consolidated Net Earnings.

In November 1992, the Financial Accounting Standards Board issued Statement No. 112, "Employers' Accounting for Post-employment Benefits." EUA was required to adopt this standard no later than January 1, 1994. The estimated impact of this standard on EUA is immaterial and therefore no liability has been recorded.

On January 31, 1994, EUA Cogenex completed the acquisition of Northeast Energy Management, Inc. (NEM) of Brunswick, Maine, in exchange for \$12.2 million of EUA Common Shares (464,579 shares) plus the payment of outstanding contingent liabilities of NEM of approximately \$8.1 million. NEM is an energy services and demand side management contracting company and is operating as a wholly-owned subsidiary of EUA Cogenex. This acquisition has been accounted for using the pooling method of accounting.

Note B - Results shown above for the respective interim periods are not necessarily indicative of results to be expected for the fiscal years due to seasonal factors which are inherent in electric utilities in New England. A greater proportionate amount of revenues is earned in the first and fourth quarters (winter season) of most years because more electricity is sold due to weather conditions, fewer day-light hours, etc.

Note C - Commitments and Contingencies:

Rate Activity

On March 21, 1994, Montaup Electric Company (Montaup), the wholesale electric generating and transmission subsidiary of EUA, filed an application with the Federal Energy Regulatory Commission (FERC) for authorization to reduce its wholesale rates by \$10.1 million, or three percent. Montaup supplies electricity at wholesale to EUA's retail electric utilities - Eastern Edison Company, Blackstone Valley Electric Company and Newport Electric Corporation (Newport) - and to two non-affiliated municipal utilities. This application is designed to match more closely Montaup's revenues with its decreasing cost of doing business resulting from, among other things, a reduced rate

base, lower interest costs and successful cost control efforts.

As part of the rate filing, Montaup is seeking authorization to become an "all-requirements" supplier for Newport. Montaup currently provides only a portion of Newport's electricity requirements.

FERC can allow Montaup to implement the rate reduction as early as May 21, 1994, pending final adjudication and approval.

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

The following is Management's discussion and analysis of certain significant factors affecting the Company's earnings and financial condition for the interim periods presented in this Form 10-Q.

Overview

Consolidated net earnings for the quarter ended March 31, 1994 increased \$3.3 million or 27% to \$15.6 million from first quarter 1993 earnings. Net Earnings contributions by Business Unit for the first three months of 1994 and 1993 were as follows (000's):

	Three Months Ended March 31,	
	1994	1993
Core Electric Business	\$13,227	\$ 9,608
Energy Related Business	2,249	1,965
Corporate	114	674
Consolidated	\$15,590	\$12,247
	=====	=====

Net Earnings of the Core Electric Business for the first quarter of 1994 increased by \$3.6 million primarily due to a significant decrease in long-term debt interest expense and preferred dividend requirements as a result of system refinancings, increased kilowatthour (kwh) sales and close attention to cost control.

Net Earnings of our Energy Related Business Unit increased by approximately \$0.3 million in the first quarter of 1994 as compared to the same period of a year ago. A \$0.4 million increase in earnings contribution of EUA Cogenex Corporation was slightly offset by a decrease in EUA Ocean State Corporation's contribution.

The Corporate Business Unit Net Earnings for the first quarter of 1994 compared to the same period in 1993 decreased by approximately \$0.6 million due primarily to the 1993 recognition of \$1.5 million of investment tax credits by Eastern Utilities Associates (the Parent Company) related to the EUA Power settlement agreement. Offsetting this decrease somewhat was the Parent Company's recovery of approximately \$0.9 million resulting from a settlement with the Vermont Electric Generation and Transmission Cooperative, Inc. (Vermont Co-op) relating to Seabrook Nuclear Project payments previously withheld by Vermont Co-op.

Operating Revenues

Operating Revenues for the first three months of 1994 increased by \$12.5 million or 9.1% when compared to the same period of 1993. Operating Revenues by Business Unit for the first quarter of 1994 and 1993 were as follows (000's):

	Three Months Ended March 31,	
	1994	1993
Core Electric Business	\$132,448	\$126,085
Energy Related Business	17,749	11,597
Corporate	0	0
Consolidated	\$150,197	\$137,682
	=====	=====

Core Electric Business revenues by increased \$6.4 million due primarily to increased recoveries of conservation and load management costs of \$2.5 million, an increase in fuel cost recoveries of \$2.8 million, and increased base revenues of EUA's retail subsidiaries as a result of increased kwh sales.

EUA Cogenex revenues, which account for all of the Energy Related Business Unit revenues, increased by \$6.1 million due primarily to the recognition of additional energy savings project sales of approximately \$4.5 million and to the acquisition of James L. Day Co. and Northeast Energy Management, Inc. in December, 1993 and January, 1994, respectively.

KWH Sales

Total primary kwh sales of electricity by EUA's Core Electric Business Unit increased by 2.9% in the first three months of 1994 compared to the same period last year primarily due to colder than normal weather in the first two months of the year and improving economic conditions in EUA's service territory. Despite the strong performance of kwh sales, the Company anticipates that the economic recovery will remain slow for the foreseeable future.

Operations_Expense

Fuel expense of the Core Electric Business for the first quarter of 1994 increased from that of the same period in 1993 by approximately \$2.7 million or 13.4%. This increase is due primarily to increased generation by company owned units in 1994 as a result of scheduled outages experienced in the first quarter of 1993. Canal Unit 2, which is 50% owned by EUA's indirect subsidiary Montaup Electric Company (Montaup), began a scheduled outage on February 13, 1993 and returned to service on April 5, 1993 while Somerset Unit No. 6, a wholly-owned unit of Montaup was out of service for 29 days in March 1993.

Other Operation and Maintenance expenses for the quarter ended March 31, 1994 increased approximately \$6.2 million or 16.2% from the same period in 1993. This increase is due primarily to increased EUA Cogenex expenses of approximately \$5.2 million due, in part, to the aforementioned acquisitions. Core Electric Business expenses increased due primarily to increased conservation and load management expenses of \$2.5 million offset somewhat by lower Canal Unit 2 maintenance expense of \$1.0 million resulting from the outage discussed above and continued close attention to cost control.

Income Taxes

The EUA system's composite federal and state effective tax rate was approximately 36.5% for the quarter ended March 31, 1994 compared to approximately 32.8% for the same period in 1993. The increase is primarily attributable to the recognition by the Parent Company of \$1.5 million of investment tax credits in the first quarter of 1993 related to the EUA Power settlement agreement.

Other_Income_and (Deductions) -_Net

Other Income and (Deductions)-Net increased \$1.1 million or 27.2% in the current year-to-date period as compared to the corresponding period in the prior year due primarily to the \$0.9 million Vermont Co-op settlement previously discussed.

Interest_Charges

Interest on Long-Term Debt for the first quarter of 1994 decreased approximately \$1.2 million or 10.9% as compared to the same period of 1993. The period's decrease is due primarily to Eastern Edison Company's (Eastern Edison) refinancing of \$195 million of long-term debt at substantially lower interest rates. Offsetting this decrease somewhat was the issuance by EUA Cogenex of \$50 million of Unsecured Notes at 7% in October 1993.

Preferred Dividends of Subsidiaries

Preferred Dividend requirements decreased \$0.4 million or 41.3% as a result of Eastern Edison's redemption of all of its outstanding 4.64%, 8.32%, 9.00% and 9.80% series of Preferred Stock aggregating \$41.6 million and subsequent issuance of \$30 million of 6 5/8% series of Preferred Stock.

Liquidity_and_Sources_of_Capital

The EUA system's need for permanent capital is primarily related to investments in facilities required to meet the needs of its existing and future customers.

Traditionally, cash construction requirements not met with internally generated funds are financed through short-term borrowings which are ultimately

funded with permanent capital. At March 31, 1994, EUA System companies maintained short-term lines of credit with various banks aggregating approximately \$140 million. Outstanding short-term Debt at March 31, 1994 and December 31, 1993 by Business Unit was as follows (000's):

	March 31, 1994	December 31, 1993
Core Electric Business	\$ 0	\$ 0
Energy Related Business	21,667	8,588
Corporate	24,381	28,580
Consolidated	\$46,048	\$37,168
	=====	=====

For the three months ended March 31, 1994, internally generated funds available after the payment of dividends amounted to approximately \$24.0 million while the EUA System's cash construction requirements amounted to approximately \$7.2 million for the same period. In addition to construction expenditures, energy related investments of EUA Cogenex amounted to approximately \$8.6 million in the first quarter of 1994. Various laws, regulations and contract provisions limit the use of EUA's internally generated funds such that the funds generated by one subsidiary are not generally available to fund the operations of another subsidiary.

On April 18, 1994, the Trustees of EUA noted to increase the quarterly dividend 2.5 cents per share from 36 cents per share to 38.5 cents per share. The first quarterly dividend at the new rate of will be payable May 16, 1994.

On January 6, 1994, Newport Electric Corporation (Newport) issued \$7.9 million of variable rate Electric Energy Facilities Revenue refunding Bonds due 2011. With the proceeds, Newport redeemed its 12% and 8.5% series Energy Facilities Revenue Bonds aggregating \$7.9 million.

PART II - OTHER INFORMATION

Item_6. Exhibits_and_Reports_on_Form_8-K

(a) Exhibits - None

(b) Reports on Form 8-K

- On January 25, 1994, the Registrant filed a current report on Form 8-k with respect to Item 5. (Other Events).
- On March 23, 1994, the Registrant filed a current report on Form 8-K with respect to Item 5. (Other Events).
- On March 28, 1994, the Registrant filed a current report on Form 8-K with respect to Item 5. (Other Events).

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.

Eastern_Utilities_Associates_____

(Registrant)

Date: May_13,_1994

/s/Richard M. Burns
Richard M. Burns, Comptroller
(on behalf of the Registrant and
as Chief Accounting Officer)