

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. **0000031224-94-000063**

([HTML Version](#) on secdatabase.com)

FILER

EASTERN EDISON CO

CIK: **14407** | IRS No.: **041123095** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-08480** | Film No.: **94528053**
SIC: **4911** Electric services

Business Address
110 MULBERRY ST
BROCKTON MA 02403
5085801213

<TABLE>

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 _____

Commission File Number 0-8480

EASTERN EDISON COMPANY

(Exact name of registrant as specified in its charter)

<S> <C> <C>
Massachusetts 04-1123095
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

110 Mulberry Street, Brockton, Massachusetts
(Address of principal executive offices)
02402
(Zip Code)

(508)580-1213
(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, \$25 par value 2,891,357 shares

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

EASTERN EDISON COMPANY
CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands)

<CAPTION>

ASSETS	March 31, 1994	December 31, 1993
<S> <C> <C>	<C>	<C>
Utility Plant in Service	\$ 785,342	\$ 784,664

Less: Accumulated Provision for Depreciation and Amortization	233,296	226,391
Net Utility Plant in Service	552,046	558,273
Construction Work in Progress	9,432	6,779
Net Utility Plant	561,478	565,052
Current Assets:		
Cash and Temporary Cash Investments	11,592	697
Accounts Receivable - Associated Companies	12,392	11,220
- Other	37,313	37,153
Materials and Supplies	7,635	9,838
Other Current Assets	10,208	10,848
Total Current Assets	79,140	69,756
Deferred Debits and Other Non-Current Assets	106,387	107,465
Total Assets	\$ 747,005	\$ 742,273

LIABILITIES AND CAPITALIZATION

Capitalization:

Common Stock, \$25 Par Value	\$ 72,284	\$ 72,284
Other Paid-In Capital	47,249	47,249
Common Stock Expense	(43)	(43)
Retained Earnings	108,298	103,515
Total Common Equity	227,788	223,005
Redeemable Preferred Stock - Net	29,665	29,670
Preferred Stock Redemption Cost	(4,855)	(4,846)
Long-Term Debt - Net	264,156	264,134
Total Capitalization	516,754	511,963

Current Liabilities:

Accounts Payable - Associated Companies	3,077	4,221
- Other	20,057	22,611
Taxes Accrued	8,536	4,225
Interest Accrued	6,552	6,136
Other Current Liabilities	8,750	10,150
Total Current Liabilities	46,972	47,343
Deferred Credits and Other		
Non-Current Liabilities	64,913	65,361
Accumulated Deferred Taxes	118,366	117,606
Total Liabilities and Capitalization	\$ 747,005	\$ 742,273

<FN>

See accompanying notes to consolidated condensed financial statements.

</TABLE>

<TABLE>

EASTERN EDISON COMPANY
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In Thousands)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Operating Revenues	\$ 110,388	\$ 105,581
Operating Expenses:		
Fuel	23,137	20,420
Purchased Power	29,929	31,234
Other Operation and Maintenance	24,399	24,507
Depreciation and Amortization	6,415	6,644
Taxes - Other Than Income	2,955	2,453
- Current Income	5,263	4,882
- Deferred Income	1,469	445
Total	93,567	90,585
Operating Income	16,821	14,996

Allowance for Other Funds		
Used During Construction	49	63
Other Income - Net	387	353
Income Before Interest Charges	17,257	15,412
Interest Charges:		
Interest on Long-Term Debt	4,580	6,330
Other Interest Expense	897	397
Allowance for Borrowed Funds Used		
During Construction(Credit)	(68)	(70)
Net Interest Charges	5,409	6,657
Net Income	11,848	8,755
Preferred Dividend Requirements	497	906
Consolidated Net Earnings	\$ 11,351	\$ 7,849

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

</TABLE>

<TABLE>

EASTERN EDISON COMPANY
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In Thousands)

<CAPTION>

	Three Months Ended	
	March 31,	
	1994	1993
<S>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	\$ 11,848	\$ 8,755
Adjustments to Reconcile Net Income to Net		
Cash Provided from Operating Activities:		
Depreciation and Amortization	6,836	7,495
Amortization of Nuclear Fuel	1,110	1,408
Deferred Taxes	1,452	428
Investment Tax Credit, Net	(230)	(268)
Allowance for Other Funds Used		
During Construction	(49)	(63)
Other - Net	(622)	1,194
Change in Operating Assets and Liabilities	1,139	(7,924)
Net Cash Provided From Operating Activities	21,484	11,025
CASH FLOW FROM INVESTING ACTIVITIES:		
Construction Expenditures	(3,621)	(3,823)
Net Cash (Used in) Investing Activities	(3,621)	(3,823)
CASH FLOW FROM FINANCING ACTIVITIES:		
Common Stock Dividends Paid to EUA	(6,419)	(5,522)
Preferred Dividends Paid	(497)	(906)
Financing Expenses	(52)	
Net Cash (Used in) Financing Activities	(6,968)	(6,428)
Net Increase in Cash and Temporary		
Cash Investments	10,895	774
Cash and Temporary Cash Investments at		
Beginning of Period	697	25,519
Cash and Temporary Cash Investments at		
End of Period	\$ 11,592	\$ 26,293
Cash paid during the period for:		
Interest (Net of Capitalized Interest)	\$ 4,110	\$ 8,490
Income Taxes	\$ 1,280	\$ 2,650

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

</TABLE>

EASTERN_EDISON_COMPANY
NOTES_TO_CONSOLIDATED_CONDENSED_FINANCIAL_STATEMENTS

The accompanying Notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in Eastern Edison Company's (Eastern Edison 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 the 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.

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

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 Eastern Edison, 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 Eastern Edison and its affiliated retail electric utilities - 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

First quarter 1993 Consolidated Net Earnings increased \$3.5 million to approximately \$11.4 million as compared to Consolidated Net Earnings for the same period of a year ago. Decreased interest expense, lower maintenance expense and increased kilowatthour (kwh) sales were the major contributors to this increase. Retail kwh sales posted a 3.2% gain with increases of 3.2%, 2.6% and 5.2% in the residential, commercial and industrial classes, respectively primarily due to colder than normal weather in the first two months of 1994 and improving economic conditions in the Company's service territory. Despite the strong performance of kwh sales, the Company anticipates that the economic recovery will remain slow for the foreseeable future.

Operating_Revenues

Operating Revenues increased \$4.8 million or 4.6% for the first quarter of 1994 compared to the same period in 1993. This increase is due primarily to increased recoveries of purchased power and fuel costs.

Operations_Expense

Fuel expense for the first quarter of 1994 as compared to the same period in 1993 increased \$2.7 million or 13.3%. This increase was due primarily to increased generation by company owned units as a result of outages in the first quarter of 1993. Canal Unit 2, which is 50% owned by Montaup, began a scheduled outage on February 13, 1993 and returned to service on April 5, 1993 while Somerset Unit 6, a wholly-owned unit of Montaup was out of service for 29 days in March 1993.

Purchased Power expense for the first quarter of 1994 decreased approximately \$1.3 million or 4.2% as compared to the same period in 1993. This decrease is due primarily to a reclassification of conservation and load management normalization adjustments previously recorded as purchased power expense.

Other Operation and Maintenance expenses for the first quarter of 1994 decreased approximately \$0.1 million from the same period in 1993. This decrease is due primarily to an increase in conservation and load management expenses of \$2.5 million which was offset by a reduction in maintenance expenses at Montaup's Canal Unit 2 of approximately \$1.0 million as a result of its scheduled outage in 1993, a decrease in EUA Service Corporation (EUA Service) allocated charges recorded as operation and maintenance expense and continued attention to stringent cost control.

Interest Charges

Interest on long-term debt decreased by \$1.8 million or 27.6% in the first quarter of 1994 from the same period in 1993. This decrease is due to Eastern Edison's refinancing of \$195 million in long-term debt in 1993 at substantially lower interest rates.

Income Taxes

Eastern Edison and Montaup's consolidated effective income tax rate for the first quarter of 1994 was approximately 36.3% as compared to approximately 38.3% for the same period in 1993. Income taxes for the first quarter of 1993 included a provision for the anticipated increase in the Federal Income Tax Rate on a retroactive basis.

Preferred Dividend Requirements

Preferred Dividend Requirements decreased \$0.4 million or 45.1% 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

Eastern Edison's and Montaup's need for permanent capital is primarily related to the construction of facilities required to meet the needs of their existing and future customers.

Traditionally, cash construction requirements not met with internally generated funds are obtained through short-term borrowings which are ultimately funded with permanent capital. EUA System companies, including Eastern Edison and Montaup, maintain short-term lines of credit with various banks aggregating approximately \$140 million. These credit lines are available to other affiliated companies under joint credit line arrangements. At March 31, 1994, these unused EUA System short-term lines of credit amounted to approximately \$94 million. Eastern Edison and Montaup had no short-term debt outstanding at March 31, 1994. In the first quarter of 1994, internally generated funds amounted to \$14.2 million while cash construction requirements for the same period were \$3.6 million.

PART II -- OTHER INFORMATION

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

- (a) A Consent to Action in lieu of an Annual Meeting of Stockholders executed on March 1, 1994 (Consent to Action) by Eastern Utilities Associates, the holders of the entire issued and outstanding common stock of Eastern Edison and the only class of stock entitled to vote at the Annual Meeting of Stockholders.
- (b) The Board of Directors as previously reported to the Commission in the Company's annual report on Form 10-K for the year ended December 31, 1993 was re-elected in its entirety by the Consent to Action.
- (c) The matters voted on in the Consent to Action were: (i) a vote fixing the number of Directors of Eastern Edison at eight and re-electing the entire Board and (ii) the election of the Treasurer and Clerk of the Company.

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 under signed thereunto duly authorized.

Eastern Edison Company _____
(Registrant)

Date: May 13, 1994

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