

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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FILER

SOUTHEASTERN MICHIGAN GAS ENTERPRISES INC

CIK: **277158** | IRS No.: **382144267** | State of Incorpor.: **MI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-08503** | Film No.: **94528347**
SIC: **4924** Natural gas distribution

Mailing Address
405 WATER STREET
PORT HURON MI 48060

Business Address
405 WATER ST
PORT HURON MI 48060
8109872200

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
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 fiscal period from _____ to _____

Commission file number 0-8503

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Michigan 38-2144267
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

405 Water Street, Port Huron, Michigan 48060
(Address of principal executive offices)

810-987-2200
(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 requirements for the past 90 days. Yes No

The number of shares of common stock outstanding as of April 30, 1994, is 10,526,999.

<CAPTION>

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

<TABLE>

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(Thousands of Dollars Except Per Share Amounts)

<CAPTION>

	Three Months Ended March 31,	
	1 9 9 4	1 9 9 3
	-----	-----
<S>	<C>	<C>
OPERATING REVENUE		
Gas sales	\$ 89,054	\$77,767
Gas marketing	40,716	16,248
Transportation	3,383	3,508
Other operations	1,635	1,632
	\$134,788	\$99,155
	-----	-----
OPERATING EXPENSES		
Cost of gas sold	\$ 63,967	\$55,053
Cost of gas marketed	39,639	15,124
Operation	7,722	7,708
Maintenance	1,066	939
Depreciation	2,920	3,123
Income taxes	5,027	3,600
Taxes, other than income taxes	2,340	2,211
	\$122,681	\$87,758
	-----	-----
OPERATING INCOME	\$ 12,107	\$11,397
OTHER INCOME (EXPENSE), NET	170	(553)
	-----	-----
INCOME BEFORE INCOME DEDUCTIONS	\$ 12,277	\$10,844
	-----	-----
INCOME DEDUCTIONS		
Interest on long-term debt	\$ 2,170	\$ 2,364
Other interest	471	485
Amortization of debt expense	82	84
Dividends on preferred stock of subsidiary	45	45
	\$ 2,768	\$ 2,978
	-----	-----

NET INCOME	\$ 9,509	\$ 7,866
Dividends on convertible preferred stock	4	5
NET INCOME AVAILABLE FOR COMMON	\$ 9,505	\$ 7,861
EARNINGS PER SHARE OF COMMON STOCK BASED ON AVERAGE SHARES OUTSTANDING	\$.88	\$.79
CASH DIVIDENDS PER SHARE OF COMMON STOCK BASED ON AVERAGE SHARES OUTSTANDING	\$.19	\$.18
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (IN THOUSANDS)	10,772	9,895

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

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<TABLE>

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

A S S E T S

<CAPTION>

	(Unaudited) March 31, 1994	(Unaudited) December 31, 1993	(Unaudited) March 31, 1993
	-----	-----	-----
	(Thousands of Dollars)		
	<C>	<C>	<C>
UTILITY PLANT:			
Plant in Service, at Cost	\$275,047	\$272,571	\$258,190
Less - Accumulated depreciation	73,326	70,629	64,910
	-----	-----	-----
	\$201,721	\$201,942	\$193,280
OTHER PROPERTY, net	16,689	16,357	19,242
	-----	-----	-----
	\$218,410	\$218,299	\$212,522
	-----	-----	-----
CURRENT ASSETS			
Cash and temporary cash investments	\$ 1,734	\$ 2,965	\$ 2,368
Accounts receivables, less reserves of \$1,552 at March 31, 1994, \$1,355 at December 31, 1993 and \$1,271 at March 31, 1993	56,248	31,708	38,342

Accrued utility revenue	11,488	17,674	11,010
Materials and supplies, at average cost	3,192	2,894	2,723
Gas in underground storage	9,219	31,146	7,237
Gas charges, recoverable from customers	11,477	15,970	4,014
Other current assets	8,896	9,862	7,806
	-----	-----	-----
	\$102,254	\$112,219	\$ 73,500
	-----	-----	-----
DEFERRED CHARGES:			
Unamortized debt expense	\$ 5,879	\$ 5,840	\$ 4,846
Deferred gas charges, recoverable from customers	1,171	1,474	1,258
Other	12,506	10,454	7,170
	-----	-----	-----
	\$ 19,556	\$ 17,768	\$ 13,274
	-----	-----	-----
	\$340,220	\$348,286	\$299,296
	=====	=====	=====

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

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<TABLE>

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

STOCKHOLDERS' INVESTMENT AND LIABILITIES

<CAPTION>

	(Unaudited) March 31, 1994	(Unaudited) December 31, 1993	(Unaudited) March 31, 1993
	-----	-----	-----
	(Thousands of Dollars)		
	<C>	<C>	<C>
STOCKHOLDERS' INVESTMENT			
Common stock equity			
Common stock - \$1 par value; 20,000,000 shares authorized; 10,507,607, 9,680,376 and 9,007,647 shares outstanding, respectively	\$ 10,508	\$ 9,680	\$ 9,008
Capital surplus - common stock	80,304	64,212	59,975
Retained earnings	21,109	13,691	17,619

Capital stock expense	(2,524)	(1,926)	(1,926)
Unearned compensation - ESOT	--	--	(24)
	-----	-----	-----
	\$109,397	\$ 85,657	\$ 84,652
	-----	-----	-----
Preferred stock equity and surplus -			
Convertible preferred stock -			
\$1 par value; 500,000 shares			
authorized; each convertible			
to 4.11 common shares	\$ 8	\$ 8	\$ 8
Capital surplus	182	182	201
	-----	-----	-----
	\$ 190	\$ 190	\$ 209
	-----	-----	-----
Total stockholders' investment	\$109,587	\$ 85,847	\$ 84,861
	-----	-----	-----
CUMULATIVE PREFERRED STOCK OF			
SUBSIDIARY -			
\$100 par value (redemption price			
\$105 per share); 50,000 shares			
authorized issuable in series;			
31,000 shares outstanding	\$ 3,100	\$ 3,100	\$ 3,100
	-----	-----	-----
LONG-TERM DEBT	\$ 79,570	\$ 97,884	\$101,439
	-----	-----	-----
CURRENT LIABILITIES			
Notes payable to banks	\$ 44,350	\$ 52,342	\$ 27,875
Current maturities of long-term debt	3,665	19,138	856
Accounts payable	38,829	30,053	22,532
Customer advance payments	2,156	6,804	2,493
Accrued taxes	6,072	262	8,812
Accrued interest	1,199	1,855	1,611
Accumulated deferred income taxes	139	201	1,087
Amounts payable to customers	1,582	1,089	1,095
Other	5,252	6,571	6,974
	-----	-----	-----
	\$103,244	\$118,315	\$ 73,335
	-----	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES:			
Accumulated deferred income taxes	\$ 16,744	\$ 16,102	\$ 13,595
Unamortized investment tax credit	3,517	3,584	3,784
Deferred gas costs payable to suppliers	1,224	1,479	1,085
Customer advances for construction	7,727	7,806	6,671
Other	15,507	14,169	11,426
	-----	-----	-----
	\$ 44,719	\$ 43,140	\$ 36,561
	-----	-----	-----
	\$340,220	\$348,286	\$299,296
	=====	=====	=====

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

<TABLE>

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
 CONSOLIDATED STATEMENT OF CASH FLOWS
 (Unaudited)
 (Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$116,486	\$ 92,106
Cash paid for payrolls and to suppliers	(83,140)	(58,201)
Interest paid	(3,297)	(3,140)
Income taxes paid	--	(200)
Taxes other than income taxes paid	(796)	(740)
Other cash receipts and payments, net	400	859
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	\$ 29,653	\$ 30,684
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Natural gas distribution property additions	\$ (2,548)	\$ (2,423)
Interest in other natural gas related property	(32)	(1,021)
Other property additions	(690)	(35)
Property retirement costs net of proceeds	(22)	--
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	\$ (3,292)	\$ (3,479)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	\$ 16,324	\$ 1,055
Net change in notes payable to banks	(7,992)	(25,225)
Repayment of long-term debt	(33,787)	(272)
Payment of dividends	(2,137)	(1,840)
	-----	-----
NET CASH FROM FINANCING ACTIVITIES	\$ (27,592)	\$ (26,282)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	\$ (1,231)	\$ 923
	-----	-----
CASH AND TEMPORARY CASH INVESTMENTS		
Beginning of Period	\$ 2,965	\$ 1,445
	-----	-----
End of Period	\$ 1,734	\$ 2,368
	-----	-----
	=====	=====
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Net income available for common stock	\$ 9,505	\$ 7,861
Adjustments to reconcile net income to net cash from operating activity		
Depreciation	2,920	3,123

Deferred taxes and ITC	513	(755)
Equity (income) loss, net of distributions	(41)	770
Accounts receivable	(24,540)	(5,781)
Accrued utility revenue	6,186	5,521
Materials and supplies and gas in underground storage	21,629	23,057
Gas charges, recoverable from customers	4,493	834
Other current assets	966	(1,374)
Accounts payable	8,776	(3,439)
Customer advances and amounts payable to customers	(4,234)	(4,108)
Accrued taxes	5,810	5,188
Other, net	(2,330)	(213)
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	\$ 29,653	\$ 30,684
	=====	=====

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

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SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES

Under the rules and regulations of the Securities and Exchange Commission for Form 10-Q Quarterly Reports, certain footnotes and other financial statement information normally included in Southeastern Michigan Gas Enterprises, Inc.'s (the Company's) year-end financial statements have been condensed or omitted in the accompanying unaudited financial statements. These financial statements prepared by the Company should be read in conjunction with the financial statements and notes thereto included in the Company's 1993 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The information in the accompanying financial statements reflects, in the opinion of the Company's management, all adjustments (which include only normal recurring adjustments) necessary for a fair statement of the information shown, subject to year-end and other adjustments, as later information may require.

(2) REGULATORY MATTERS

At March 31, 1994, the Company had a total of \$1,016,000 in remaining take-or-pay liabilities. These costs are substantially recoverable from ratepayers. The Company does not anticipate additional take-or-pay assessments.

At March 31, 1994, the Company had \$1,632,000 of remaining direct-billed liabilities related to Federal Energy Regulatory Commission Order 636. The Company does not anticipate any significant additional direct billings. As with take-or-pay costs, the Company expects Order 636 costs will be recoverable

from ratepayers.

In March 1994, the Michigan Public Service Commission issued securities orders U-10509 and U-10510 authorizing Southeastern Michigan Gas Company (Southeastern) and Michigan Gas Company (Michigan Gas) to issue up to \$23,000,000 and \$31,000,000, respectively, of long-term debt securities to the Company.

This debt may be used to replace certain long-term and short-term debt currently owed to the Company and, in Southeastern's case, may be used to replace certain First Mortgage Bonds outstanding.

(3) CAPITALIZATION

Common Stock Equity

- - - - -

On April 19, 1994, the Company's Board of Directors declared a regular quarterly cash dividend on common stock of \$.20 per share. In addition, the Board declared a 5% common stock dividend. Both dividends are payable on May 15 to shareholders of record on May 5. Earnings per common share, cash dividends per common share and weighted average number of shares outstanding give retroactive effect for all periods presented to the 5% stock dividends in May 1994 and 1993.

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In February 1994, the Company paid a quarterly cash dividend of \$.20 per share to its common shareholders. Of the total dividend of \$2,088,000, \$759,000 was reinvested by shareholders into common stock through participation in the Dividend Reinvestment and Common Stock Purchase Plan. This portion of the first quarter dividend and shareholders' optional cash payments of \$841,000, resulted in 79,731 new shares issued to existing shareholders during the quarter.

In January 1994, the Company issued 747,500 shares of common stock pursuant to a shelf registration. Net proceeds of approximately \$14,724,000 were used to reduce notes payable to banks incurred to finance the Company's ongoing capital expenditure program and for general corporate purposes.

Long-Term Debt

- - - - -

In February 1994, the Company called, at 104.5% of face value, the remaining \$21,169,000 of its 10% debentures due 2007 and \$12,518,000 of its 10% debentures due 2008. While the Company plans to issue long-term debt securities at a lower interest rate to refinance these debentures, short-term lines of credit are being used to fund the call until new securities can be issued.

4. COMMITMENTS AND CONTINGENCIES

Guarantees. SEMCO Arkansas Pipeline Company, a wholly-owned subsidiary of SEMCO, has a 31.67% interest in a partnership which operates the NOARK Pipeline System (NOARK). NOARK is a 302-mile intrastate natural gas pipeline, originating in northwest Arkansas and extending northeast across the state. The pipeline became operational during the third quarter of 1992.

The Company, SEMCO Arkansas Pipeline Company and SEMCO have guaranteed 40% of the principal and interest payments on up to \$93,000,000 of debt used to finance the pipeline. Of the total, \$63,000,000 is pursuant to a long-term arrangement requiring annual principal payments of approximately \$3,150,000 together with interest on the unpaid balance. This arrangement matures in 2009 and has a fixed interest rate of 9.7375%. The remaining debt of \$30,000,000 is pursuant to a credit agreement which currently terminates January 1997. Under the terms of the credit agreement, NOARK may request, on an annual basis, a one year extension of the then-effective terminate date. At March 31, 1994, NOARK had \$25,300,000 outstanding under the agreement with interest payments at a variable interest rate.

NOARK has entered into an interest rate swap relating to a notional amount of \$40,000,000. Pursuant to the swap, NOARK will receive interest payments at 5% per annum on \$40,000,000 and make interest payments on \$40,000,000 at a rate equal to six-month LIBOR. The Company has guaranteed 40% of the payments due pursuant to this swap.

In December 1993, Vesta Energy Corporation (Vesta), a firm shipper on NOARK, filed a complaint in the Federal District Court for the Northern District of Oklahoma against seven defendants, including NOARK. Vesta seeks actual damages on several theories in an aggregate amount exceeding \$1,000,000, seeks punitive damages in excess of \$1,000,000 and seeks to rescind its contracts with certain defendants, including its contract with NOARK. Neither the Company nor any of its subsidiaries is a party to the suit.

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Under the terms of Vesta's contract with NOARK, Vesta is obligated to pay a demand fee of approximately 19.3 cents per Mcf on 50,000 Mcf per day and approximately 9.2 cents per Mcf for volumes actually transported on the NOARK system. This contract is set to expire in 1997.

On January 1, 1994, Vesta discontinued shipments of gas pursuant to its contract with NOARK and ceased payment of the demand fee. An affiliate of Southwestern Energy Pipeline Company, a NOARK general partner, which was providing approximately 25,000 Mcf per day of the gas transported by Vesta over the NOARK system, has been shipping those volumes over the system at the full firm rate, generating NOARK revenues of approximately \$210,000 per month. In February 1994, the defendants, including NOARK, filed a motion for dismissal of Vesta's claim due to lack of Federal jurisdiction in the Oklahoma court. In addition, NOARK and certain other defendants filed separate claims in Arkansas against Vesta for breach of contract. As these circumstances continue, the loss of revenues to NOARK reduces the Company's net income by approximately

\$35,000 per month and reduces NOARK's cash flows available for debt service. To the extent NOARK's operating cash flows are insufficient to meet debt service, NOARK may draw on its available line of credit, require an equity contribution or a loan from its partners, or a combination thereof. If the above circumstances continue, the Company estimates these circumstances could result in a related cash outflow of approximately \$1,000,000 from the Company in 1994.

The Company expects to ultimately recover the remaining cost of its investment in NOARK over the life of the project.

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PART I - FINANCIAL INFORMATION - (Continued)

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

RESULTS OF OPERATIONS

The Company reported net income available for common of \$9,505,000 (\$.88

per share) for the first quarter of 1994, compared to \$7,861,000 (\$.79 per share) for the same period in 1993. Due to the seasonality of the Company's primary business of natural gas distribution, a substantial portion of the annual results of operations is earned during the first quarter of the fiscal year. However, these interim results are not necessarily indicative of the results of operations for the full fiscal year ending December 31, 1994.

A comparison of quarterly revenues, margins and system throughput follows.

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	1 9 9 4	1 9 9 3
	(in thousands of dollars)	
	<C>	<C>
Operating Revenue		
Gas Sales		
Residential	\$55,555	\$47,873
Commercial	27,181	24,006
Industrial	6,318	5,888
	-----	-----
	\$89,054	\$77,767
Cost of Gas Sold	63,967	55,053
	-----	-----
Gross Margin	\$25,087	\$22,714
	=====	=====
Gas Marketing	\$40,716	\$16,248
Cost of Gas Marketed	39,639	15,124
	-----	-----
Gross Margin	\$ 1,077	\$ 1,124
	=====	=====
Transportation	\$ 3,383	\$ 3,508
	=====	=====
Other Revenues	\$ 1,635	\$ 1,632
	=====	=====

<CAPTION>

(in millions of cubic feet)

<S>

<C>

<C>

Gas Volumes

 Gas Sales

 Residential

11,736

10,364

 Commercial

6,042

5,449

 Industrial

1,536

1,413

19,314

17,226

=====

=====

 Gas Marketing

15,566

7,864

	=====	=====
Gas Transported	5,985	5,658
	=====	=====
Degree Days - Actual	3,715	3,369
Gas Sales Customers - Average	215,563	209,706

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

Net income for the first quarter of 1994 increased \$1,644,000 compared to the same period last year.

Gross margin on gas sales increased by \$2,373,000 as gas volumes sold for the three month period ended March 31, 1994 increased 12.1% over the same period in 1993. The increased volumes were primarily due to the impact of colder temperatures and customer additions on volumes sold. Temperatures during the first quarter of 1994 were 10% colder than the same period in 1993 and the average number of gas sales customers in 1994 increased by over 5,000 from the 1993 level.

Natural gas volumes marketed for the first quarter of 1994 increased by 97.9% over the same period in 1993 while gas marketing margins declined by \$47,000. The price of alternate fuels, seasonal patterns and competition in the industry contribute to the fluctuation in margins per unit of gas marketed and the volumes marketed.

For the three months ended March 31, 1994, income taxes increased \$1,427,000, or 39.6%, over the same period in 1993 due primarily to higher pre-tax earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities for the first quarter of 1994 were \$29,653,000. The most significant source of funds resulted from the withdrawal and sale of storage gas to meet heating season demand.

Financing activities used \$27,592,000 in funds during the first quarter of 1994. While \$16,324,000 was provided through the February 1994 sale of 747,500 shares of common stock and additional sales through the Dividend Reinvestment and Common Stock Purchase Plan (DRIP), the Company used \$33,787,000 and \$7,992,000 to call 10% debentures and pay down notes payable to banks, respectively.

Net cash used for investing activities was \$3,292,000. The following table identifies capital expenditures by line of business for the three months ended March 31, 1994 and 1993 (in thousands of dollars):

<TABLE>

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Natural Gas Distribution	\$2,548	\$2,423
Transmission, Gathering and Storage	32	1,021
Other	690	35
	-----	-----
	\$3,270	\$3,479
	=====	=====

</TABLE>

The \$2,548,000 expended for natural gas distribution was primarily for installation of services and mains for new customers and the normal replacement of distribution services and mains.

The Company anticipates spending approximately \$19.9 million in capital expenditures during the remainder of 1994. These estimated amounts will primarily relate to customer additions and system replacement in the gas distribution operations.

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

FUTURE FINANCING SOURCES

The remainder of the Company's operating cash flow needs as well as dividend payments and capital expenditures for the balance of 1994 are expected to be generated primarily through operating activities, short-term borrowings and cash from the DRIP.

At March 31, 1994, the Company had \$30.5 million in unused lines of credit. Cash inflows from a reduction in receivables from the heating season sales will provide the Company with funds during the second quarter of the year. In addition, the Company plans to issue long-term debt instruments to reduce short-term lines of credit incurred in calling the 10% debentures.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

Retained earnings were available for payment of dividends on preferred and common stock at March 31, 1994, as follows:

Total Retained Earnings - \$21,109,000

Amount Available for Payment of Dividends - \$21,109,000

Item 3. Not applicable.

Item 4. Not applicable.

Item 5. Not applicable.

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

(a) List of Exhibits - (See page 15 for the Exhibit Index.)

- Agreement to furnish Indenture of Mortgage and Deed of Trust dated October 1, 1950 and supplements thereto.
- Agreement to furnish Credit agreement dated October 3, 1985, as amended, between Enterprises and NBD Bank (National Bank of Detroit).
- Trust Indenture dated September 1, 1987, between Enterprises and Centerre Trust Company of St. Louis as Trustee.
- Trust Indenture dated December 1, 1987, between Enterprises and Centerre Trust Company of St. Louis as Trustee.
- Trust Indenture dated December 15, 1988, between Enterprises and Boatmen's Trust Company as Trustee.
- Trust Indenture dated April 1, 1992, between Enterprises and NBD Bank, N.A. as Trustee.
- Guaranty Agreement dated October 10, 1991, relating to construction financing of NOARK.
- Group A Employment Contract.
- Short-Term Incentive Plan.

(b) Reports on Form 8-K.

On January 11, 1994, the Company filed Form 8-K to report on the lawsuit by Vesta Energy Corporation against NOARK Pipeline System and others.

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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.

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
(Registrant)

Dated: May 13, 1994

By: /s/Robert F. Caldwell

Robert F. Caldwell, Executive Vice
President and Principal Accounting and
Financial Officer

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<TABLE>

<CAPTION>

EXHIBIT INDEX
Form 10-Q
First Quarter 1994

Exhibit No.	Description	Herewith	By Reference
<S>	<C>	<C>	<C>
2	Plan of Acquisition, etc.	NA	NA
4(a)	Agreement to furnish Indenture of Mortgage and Deed of Trust dated October 1, 1950 and supplements thereto.(d)		x
4(b)	Agreement to furnish credit Agreement dated October 3, 1985, between Enterprises and NBD-Bank (National Bank of Detroit).(e)		x
4(c)	Trust Indenture dated September 1, 1987, between Enterprises and Centerre Trust Company of St. Louis as Trustee.(a)		x
4(d)	Trust Indenture dated December 1, 1987, between Enterprises and Centerre Trust Company of St. Louis as Trustee.(b)		x
4(e)	Trust Indenture dated December 15, 1988, between Enterprises and Boatmen's Trust Company as Trustee.(c)		x
4(f)	Trust Indenture dated April 1, 1992, between Enterprises and NBD Bank, N.A. as Trustee.(g)		x
10	Material Contracts.		
10(a)	Guaranty Agreement dated October 10, 1991, relating to financing of NOARK.(f)		x
10(b)	Group A Employment Contract.(h)		x
10(c)	Short-Term Incentive Plan.(h)		x
11	Statement re computation of per share earnings.	NA	NA
15	Letter re unaudited interim financial information.	NA	NA
18	Letter re change in accounting principle.	NA	NA
19	Report furnished to security holders.	NA	NA
22	Published report regarding matters submitted to a vote of security holders.	NA	NA
23	Consent of Independent Public Accountants.	NA	NA
24	Power of Attorney.	NA	NA
27	Financial Data Schedule.	NA	NA
99	Additional exhibits.	NA	NA

</TABLE>

Key to Exhibits Incorporated by Reference

- (a) Filed with Enterprises' Registration Statement, Form S-2, No. 33-18979, filed December 10, 1987.
- (b) Filed with Enterprises' Form 10-K for 1987, dated March 28, 1988, File No. 0-8503.
- (c) Filed with Enterprises' Form 10-K for 1988, dated March 30, 1989, File No. 0-8503.
- (d) Filed with Enterprises' Form 10-Q for the quarter ended June 30, 1989, File No. 0-8503.
- (e) Filed with Enterprises' Form 10-Q for the quarter ended September 30, 1990, File No. 0-8503.
- (f) Filed with Enterprises' Registration Statement, Form S-2, No.

33-46413, filed March 16, 1992.

(g) Filed with Enterprises' Form 10-Q for the quarter ended March 31, 1992, File No. 0-8503.

(h) Filed with Enterprises' Form 10-K for 1992, dated March 30, 1993, File No. 0-8503.

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