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. 0000950123-94-000913

(HTML Version on secdatabase.com)

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ROCHESTER & PITTSBURGH COAL CO

CIK:**84548**| IRS No.: **250761480** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-07181** | Film No.: **94527934**
SIC: **1220** Bituminous coal & lignite mining

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(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 from -------------- to --------------

Commission File No. 0-7181

ROCHESTER & PITTSBURGH COAL COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania	25-0761480
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
655 Church Street, Indiana, Pennsylvania	15701
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 412/349-5800

Not Applicable
(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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 1994. 3,438,775 shares.

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ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Amounts in thousands, except for outstanding shares and per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>
Production Tonnage	1,401	1,459
Sales Tonnage	1,438	1,491

Sales	$ 52,474	$ 51,905
Other Income:		
Interest and dividends	727	1,136
Net investment gains	417	601
Miscellaneous	665	419
	54,283	54,061
Costs and Expenses:		
Cost of sales	47,295	44,855
Depreciation, depletion, and amortization	2,848	3,096
Selling, general, and administrative	1,910	2,025
Interest	436	267
Miscellaneous	426	492
Postretirement benefit costs for certain operations	-0-	2,678
	52,915	53,413
Income before income taxes and cumulative effect of change in accounting for income taxes	1,368	648
Income Taxes	802	60
Net income before cumulative effect of change in accounting for income taxes	566	588
Cumulative effect to January 1, 1993 of change in accounting for income taxes	-0-	4,709
Net Income	$ 566	$ 5,297
Income Per Share:		
Net income before cumulative effect of change in accounting for income taxes	$ .16	$ .17
Cumulative effect to January 1, 1993 of change in accounting for income taxes	-0-	1.37
Net Income Per Share	$ .16	$ 1.54
Average shares outstanding used in the computation of per share amounts	3,438,669	3,443,098
Shares issued and outstanding at March 31	3,438,275	3,443,608
Cash dividends declared per share	$ .30	$ .30

</TABLE>

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	March 31 1994 <C>	December 31 1993 <C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 13,480	$ 22,737
Short-term investments	2,762	1,000
Receivables	28,701	20,704
Inventories and other current assets	13,718	12,606

Deferred income taxes	1,516	1,822
Total Current Assets	60,177	58,869
Other Assets		
Investment in marketable securities	33,528	42,731
Funding for:		
Workers' compensation benefits	28,251	25,246
Mine closing reserves	16,999	16,655
Noncurrent receivables	4,911	6,710
Deferred income taxes	10,037	10,257
Miscellaneous	13,266	13,407
	106,992	115,006
Property, plant, and equipment	356,978	342,567
Less allowances for depreciation, depletion, and amortization	163,289	159,558
	193,689	183,009
	$ 360,858	$ 356,884

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts payable	$ 9,372	$ 13,745
Accrued liabilities	17,473	11,727
Current maturities of long-term debt	1,556	2,372
Total Current Liabilities	28,401	27,844
Other Liabilities and Long-Term Debt		
Workers' compensation benefits	38,647	37,433
Mine closing reserves	18,586	18,156
Other postretirement benefits	20,938	20,500
Deferred income taxes	3,084	2,511
Miscellaneous	9,514	10,191
Long-term debt (less current maturities)	31,613	29,455
	122,382	118,246
Shareholders' Equity		
Common stock issued, 3,989,121 shares	59,837	59,837
Capital in excess of stated value	133,170	133,176
Retained earnings	44,985	45,723
	237,992	238,736
Less treasury stock at cost - 550,346 and 550,846 shares	27,917	27,942
	210,075	210,794
	$ 360,858	$ 356,884

</TABLE>

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>

OPERATING ACTIVITIES		
Net income	$ 566	$ 5,297
Adjustments for non-cash items	3,388	(914)
Changes in certain assets and liabilities (using) or providing cash	(5,941)	4,306
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,987)	8,689
INVESTING ACTIVITIES		
Proceeds from sale of investments	9,295	13,663
Acquisition of investments	(1,515)	(12,684)
Acquisition of property, plant, and equipment	(13,481)	(6,874)
Proceeds from sale of property, plant, and equipment	165	6
NET CASH (USED IN) INVESTING ACTIVITIES	(5,536)	(5,889)
FINANCING ACTIVITIES		
Proceeds from long-term debt	39,925	19,950
Payments on long-term debt	(38,583)	(18,226)
Cash dividends paid	(3,095)	(3,098)
Treasury stock issued	19	68
NET CASH (USED IN) FINANCING ACTIVITIES	(1,734)	(1,306)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,257)	1,494
Cash and cash equivalents at beginning of year	22,737	27,400
CASH AND CASH EQUIVALENTS AT MARCH 31	$ 13,480	$ 28,894
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 305	$ 201
Income taxes paid	$ (455)	$ 433

</TABLE>

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 1994

Note A - Basis for Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain accounts in the consolidated condensed financial statements for prior years have been reclassified to conform to the statement presentation for the current year. These reclassifications have no effect on net income. Operating results for the three month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ended December 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10K for the year ended December 31, 1993.

Note B - Investments

The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" for investments held as of or acquired after January 1, 1994. There was no cumulative effect as of January 1, 1994 of adopting Statement 115. The opening balance of shareholders' equity was increased by $1,081,000 (net of $619,000 in deferred income taxes) to reflect the net unrealized holding gains on securities classified as available-for- sale previously carried at the lower of amortized cost or market.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in investment income. All of the securities included in the funding for workers' compensation benefits and mine closing reserves are currently designated as held-to-maturity.

Marketable equity securities and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gain and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for- sale are included in investment income. The securities comprising short-term investments and investment in marketable securities are classified as available-for-sale.

The following is a summary of available-for-sale securities and held-to-maturity securities:

<TABLE>
<CAPTION>

	Available-for-Sale Securities			
(In Thousands) March 31, 1994	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. government and agencies	$ 17,274	$ 434	$ 311	$ 17,397
Corporate securities	12,491	21	368	12,144
Other debt securities	300	9	-0-	309
Total debt securities	30,065	464	679	29,850
Equity securities	6,301	475	336	6,440
	$ 36,366	$ 939	$ 1,015	$ 36,290

</TABLE>

<TABLE>
<CAPTION>

	Held-to-Maturity Securities			
(In Thousands) March 31, 1994	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. government and agency securities	$ 34,568	$ 750	$ 248	$ 35,070

</TABLE>

<TABLE>
<CAPTION>

Available-for-Sale Securities (In Thousands) December 31, 1993	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. government and agencies	$ 21,779	$ 947	$ 33	$ 22,693
Corporate securities	11,513	56	68	11,501
Other debt securities	1,863	95	-0-	1,958
Total debt securities	35,155	1,098	101	36,152
Equity securities	8,576	771	121	9,226
	$ 43,731	$ 1,869	$ 222	$ 45,378

</TABLE>

<TABLE>
<CAPTION>

Held-to-Maturity Securities (In Thousands) December 31, 1993	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. government and agency securities	$ 34,427	$ 1,847	$ 20	$ 36,254

</TABLE>

In 1994, the gross realized gains on sales of available-for-sale securities totaled $443,000, the gross realized losses totaled $26,000, and the net adjustment for unrealized holding gains (losses) on available-for-sale securities included as a separate component of shareholders' equity totaled $(1,130,000).

The amortized cost and estimated fair value of debt and marketable equity securities at March 31, 1994, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

<TABLE>
<CAPTION>

(In Thousands) AVAILABLE-FOR-SALE	Cost	Estimated Fair Value
<S>	<C>	<C>
Due in one year or less	$ 2,727	$ 2,762
Due after one year through three years	12,742	12,928
Due after three years	14,596	14,160
	30,065	29,850
Equity securities	6,301	6,440
	$ 36,366	$ 36,290
HELD-TO-MATURITY		
Due in one year or less	$ 2,251	$ 2,271
Due after one year through three years	11,121	11,291
Due after three years	21,196	21,508
	$ 34,568	$ 35,070

</TABLE>

Note C - Postemployment Benefits

All companies were required to adopt as of January 1, 1994 Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires that the benefits provided by employers to former or inactive employees, their beneficiaries, and covered dependents after active employment but before retirement be accrued over the employees' service period or at the time of an event which gives rise to the obligation for such benefits, as appropriate. The Company has accounted for these benefits in that manner prior to the issuance of FASB No. 112 and therefore, the Company's adoption of this statement does not have a material impact on income.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF
OPERATIONS AND FINANCIAL POSITION
March 31, 1994

The following is Management's discussion and analysis of certain significant factors which have affected the Company's (1) earnings during the periods included in the accompanying Consolidated Condensed Statements of Income and (2) financial position since December 31, 1993:

Results of Operations

A substantial portion of the Company's sales revenue is derived through sales made by subsidiaries under two long-term coal sales agreements. Sales prices are based on the cost of production plus profit determined under formulas providing for incentives for reduced costs.

While production and sales tonnage is down slightly compared to 1993, production costs were significantly higher. The effect of the seven-month coal strike, which was settled on December 16, 1993, continued through the first quarter of 1994 by delaying the timely start-up of two new mines, development of new areas in a third mine, and the installation of a portal facility at an existing mine. The inability to have these facilities efficiently operating as scheduled has resulted in reduced production and increased costs during the first quarter of 1994. The record setting cold temperatures and heavy snowfall during January and February created many weather related outages and caused abnormally high absenteeism. This also resulted in increased costs and further reduced production by delaying the start-up of the new facilities.

The Company's subsidiary, Helvetia Coal Company, and the Homer City Station Owners have agreed upon a Letter of Intent outlining terms for a new fixed-price coal sales agreement which will replace the existing agreement to supply coal to the Homer City Generating Station. The Letter is in the process of being executed by the parties. It is the intention of the parties to negotiate a definitive agreement based on the Letter of Intent by the third quarter of this year. The new agreement will provide for deliveries by Helvetia totaling 16 million tons through 2003 at an initial rate of 1.8 million tons per year.

Interest and dividend income decreased in the first quarter of 1994 due to lower average amounts invested as a result of the utilization of internally generated funds for the rehabilitation and development of Mine No. 84 while the increase in miscellaneous income was primarily due to foreign exchange gains experienced at the Company's Canadian subsidiary.

Depreciation expense continued to decrease in 1994 due to the utilization of operating leases for certain mining equipment requirements in recent years. Interest expense was higher in 1994 than in 1993 due to increased amounts borrowed primarily to fund receivables which were deferred during the strike in accordance with the terms of Keystone's long-term coal supply agreement. Selling, general, and administrative and miscellaneous expenses declined in the first quarter of 1994 as a result of additional cost reduction programs implemented in the second half of 1993.

As previously discussed, income before income taxes for the first quarter of 1993 was reduced by a charge for the entire past service liability for retiree medical and life insurance benefits for certain operations with limited projected future activity.

The Company's effective income tax rate for 1994 was 59% compared to 9% for 1993. The increase in the 1994 effective tax rate over statutory tax rates results from the temporary differences between financial and income tax reporting created principally by Eighty-Four Mining Company's mine development expenditures and the inability to carryback or carryforward tax deductions in excess of current year income for Pennsylvania income tax reporting purposes. In addition, these excess deductions cannot be offset against state taxable income of other subsidiaries. Federal and Pennsylvania deferred tax liabilities are required to be provided for these expenditures even though no benefit is being realized for Pennsylvania income tax reporting. These higher effective income tax rates are expected to continue through 1996 when Eighty-Four Mining Company's mine development will be substantially completed. The lower than normal tax rate for 1993 was due to deductions for postretirement benefit costs at certain operations at full statutory rates.

The rehabilitation and development of Eighty-Four Mining Company operations, which are expected to more than double the present annual production capacity of the Company, are projected to continue into 1997. Thus, costs incurred net of sales revenue from coal produced incidental to development will continue to be capitalized. Such amounts are projected to total $100 million through 1996. Development mining commenced in April, 1994.

Liquidity and Capital Resources

The Company's current ratio and working capital at March 31, 1994 remained comparable to year-end levels. The decrease in cash and investments primarily reflects the use of internal funds for the continued rehabilitation of Mine No. 84, while the increase in receivables is due to the return to normal production and sales levels for operations affected by the UMWA strike.

Eighty-Four Mining Company has a commitment in place for the lease of the first longwall mining system to be operational in the third quarter of 1995. In addition, agreements for total borrowings in the amount of $85 million are in the final stages of documentation.

Keystone and Helvetia have combined borrowing limits of $44 million. Approximately $12 million of this capacity has been utilized to fund receivables which were deferred during the strike in accordance with the terms of Keystone's long-term coal supply agreement. The receivable will be collected ratably through 1995. Under terms of their existing long-term coal sales agreements, Keystone's and Helvetia's debt is to be repaid from funds generated by depreciation and amortization. As of March 31, 1994, a combined total of $14.5 million of funds were available under the respective debt agreements. Helvetia Coal Company will require increased debt in the near future to fund both existing and planned operations. It is expected that amendments to Helvetia's existing debt agreements will be made to increase amounts available for borrowing once negotiations with its customers for a new fixed-price sales agreement conclude successfully.

PART II: OTHER INFORMATION

Item 5: Other Information

Registrant's subsidiary, Helvetia Coal Company, ("Helvetia") and the Homer City Station Owners, (the "Owners") have agreed upon the terms of a Letter of Intent outlining terms of a new fixed-price coal sales agreement to replace the existing agreement to supply coal to the Homer City Generating Station. The letter is in the process of being executed by the parties. Helvetia and the Owners intend to negotiate a definitive agreement pursuant to terms of the Letter of Intent by the third quarter of 1994. The new agreement will provide for deliveries by Helvetia in the aggregate of 16 million tons of coal through 2003 at an initial rate of 1.8 million tons per year.

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.

ROCHESTER & PITTSBURGH COAL COMPANY

THOMAS W. GARGES, JR.
Thomas W. Garges, Jr.
President and Chief Executive Officer

GEORGE M. EVANS
George M. Evans
Vice President and Treasurer

Date: May 13, 1994