FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-02-10** | Period of Report: **1993-12-31**
SEC Accession No. 0000780859-94-000004

(HTML Version on secdatabase.com)

FILER

INDIANA ENERGY INC
CIK:**780859**| IRS No.: **351654378** | State of Incorp.:**IN** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-09091** | Film No.: **94505746**
SIC: **4924** Natural gas distribution

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 1993

OR

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

Commission file number 1-9091

INDIANA ENERGY, INC.
(Exact name of registrant as specified in its charter)

INDIANA	35-1654378
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1630 North Meridian Street, Indianapolis, Indiana 46202
(Address of principal executive offices) (Zip Code)

317-926-3351
(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 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 practicable date.

Common Stock - Without par value	22,556,942	January 31, 1994
Class	Number of shares	Date

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INDIANA ENERGY, INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

ASSETS
(Thousands - Unaudited)

	December 31 1993	December 31 1992	September 30 1993
<S>	<C>	<C>	<C>
UTILITY PLANT:			
Original cost	$786,380	$734,036	$773,174
Less - Accumulated depreciation and amortization	274,366	251,676	267,629
	512,014	482,360	505,545
NONUTILITY PLANT - NET	4,921	1,166	4,733
CURRENT ASSETS:			
Cash and cash equivalents	284	6,977	5,188
Investment in Tenneco stock (see Note 2)	-	13,864	-
Accounts receivable, less reserves of $2,467, $2,242 and $2,055, respectively	45,875	44,363	14,172
Accrued unbilled revenues	42,768	32,334	10,748
Materials and supplies - at average cost	3,753	4,144	3,710
Liquefied petroleum gas - at average cost	1,154	893	1,019
Gas in underground storage - at last-in, first-out cost	53,064	46,683	59,534
Recoverable gas costs	616	-	7,453
Prepayments	1,585	1,719	296
	149,099	150,977	102,120
DEFERRED CHARGES:			
Unamortized debt discount and expense	6,489	6,961	6,614
Other	14,974	8,595	12,268
	21,463	15,556	18,882
	$687,497	$650,059	$631,280

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INDIANA ENERGY, INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

SHAREHOLDERS' EQUITY AND LIABILITIES
(Thousands - Unaudited)

	December 31 1993	December 31 1992	September 30 1993
<S>	<C>	<C>	<C>
CAPITALIZATION:			
Common stock - authorized 64,000,000			

shares - issued and outstanding 22,553,136, 20,797,491, and 22,459,916 shares, respectively (1)	$145,697	$109,223	$143,476
Less unearned compensation - restricted stock grants	1,688	428	299
	144,009	108,795	143,177
Retained earnings	124,955	118,783	115,470
Total common shareholders' equity	268,964	227,578	258,647
Long-term debt	164,901	174,901	164,901
	433,865	402,479	423,548
CURRENT LIABILITIES:			
Maturities and sinking fund requirements of long-term debt	10,000	10,000	20,000
Notes payable	54,050	30,398	10,252
Accounts payable	40,485	55,681	41,602
Refundable gas costs	-	15,745	-
Customer deposits and advance payments	14,146	14,710	13,466
Accrued taxes	35,856	31,603	31,579
Accrued interest	5,134	5,331	3,342
Other current liabilities	15,252	11,300	13,515
	174,923	174,768	133,756
DEFERRED CREDITS:			
Deferred income taxes (See Note 12)	55,542	54,478	56,911
Unamortized investment tax credit	13,731	14,660	13,963
Regulatory income tax liability (See Note 12)	4,789	-	-
Other	4,647	3,674	3,102
	78,709	72,812	73,976
COMMITMENTS AND CONTINGENCIES (See Notes 10 & 11)	-	-	-
	$687,497	$650,059	$631,280

(1) Restated to reflect the three-for-two stock split October 1, 1993. See Note 8.
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INDIANA ENERGY, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(Thousands except per share data)
(Unaudited)

	Three Months Ended December 31		Twelve Months Ended December 31	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
UTILITY OPERATING REVENUES	$ 151,892	$ 155,537	$ 495,633	$ 432,475
COST OF GAS	93,246	101,514	305,285	266,189
MARGIN	58,646	54,023	190,348	166,286
UTILITY OPERATING EXPENSES:				
Other operation and maintenance	19,533	17,311	86,524	71,397
Depreciation and amortization	6,912	6,580	27,138	25,499
Income taxes	8,998	7,949	16,865	15,085
Taxes other than income taxes	4,309	3,762	15,075	12,719
	39,752	35,602	145,602	124,700
UTILITY OPERATING INCOME	18,894	18,421	44,746	41,586
INTEREST	4,240	4,000	16,880	14,845
OTHER	(502)	119	(1,522)	(1,510)
	3,738	4,119	15,358	13,335
UTILITY INCOME	15,156	14,302	29,388	28,251

NONUTILITY INCOME (LOSS):

Net EnTrade operations	-	(341)	-	149
Gain on sale of EnTrade (See Note 2)	-	11,863	-	11,863
Income tax on sale of EnTrade (See Note 2)	-	(4,745)	-	(4,745)
Other - net	44	(106)	(298)	(372)
NONUTILITY INCOME (LOSS)	44	6,671	(298)	6,895
INCOME BEFORE PREFERRED DIVIDENDS	15,200	20,973	29,090	35,146
PREFERRED DIVIDEND REQUIREMENT OF SUBSIDIARY	-	285	-	1,567
NET INCOME	$ 15,200	$ 20,688	$ 29,090	$ 33,579
AVERAGE COMMON SHARES OUTSTANDING (1)	22,546	20,778	21,818	20,732
EARNINGS PER AVERAGE SHARE OF COMMON STOCK (1)	$ 0.67	$ 1.00	$ 1.33	$ 1.62

(1) Adjusted to reflect the three-for-two stock split October 1, 1993. See Note 8.
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INDIANA ENERGY, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands - Unaudited)

	Three Months Ended December 31		Twelve Months Ended December 31	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM (REQUIRED FOR) OPERATING ACTIVITIES:				
Net income	$ 15,200	$ 20,688	$ 29,090	$ 33,579
Adjustments to reconcile net income to cash provided from operating activities -				
Gain on sale of EnTrade (See Note 2)	-	(11,863)	-	(11,863)
Depreciation and amortization	6,971	6,941	27,416	26,820
Deferred income taxes	643	498	3,076	2,141
Investment tax credit	(232)	(310)	(929)	(1,026)
Undistributed earnings of unconsolidated affiliates	48	-	(46)	150
	7,430	(4,734)	29,517	16,222
Changes in assets and liabilities net of effects from the sale of EnTrade (See Note 2) -				
Receivables - net	(63,723)	(85,774)	(11,946)	(38,661)
Inventories	6,292	1,905	(6,251)	(19,694)
Accounts payable, customer deposits, advance payments and other current liabilities	1,300	62,715	(11,808)	55,340
Accrued taxes and interest	6,069	13,077	4,056	9,041
Refundable/recoverable gas costs	6,837	6,075	(16,361)	14,818
Prepayments	(1,289)	(2,107)	134	(588)
Minority interest	-	(916)	-	(806)
Other - net	3,544	(424)	687	(549)
Total adjustments	(33,540)	(10,183)	(11,972)	35,123
Net cash flow from (required for) operations	(18,340)	10,505	17,118	68,702
CASH FLOWS FROM (REQUIRED FOR) FINANCING ACTIVITIES:				
Issuance of common stock - net	-	558	32,902	2,257
Redemption of preferred stock of subsidiary	-	(20,932)	-	(20,932)
Sale of long-term debt	-	35,000	-	35,000
Reduction in long-term debt	(10,000)	(721)	(10,000)	(11,712)
Net change in short-term borrowings	43,798	160	23,652	10,551
Dividends on common stock	(5,715)	(5,105)	(21,660)	(19,947)
Net cash flow from (required for) financing activities	28,083	8,960	24,894	(4,783)

CASH FLOWS REQUIRED FOR INVESTING ACTIVITIES:				
Capital expenditures	(14,459)	(12,900)	(58,814)	(59,303)
Net change in nonutility plant and other investments net of effects from the sale of EnTrade (See Note 2)	(188)	(532)	(3,755)	1,111
Cash of subsidiary sold (See Note 2)	-	(4,936)	-	(4,936)
Sale of Tenneco stock (See Note 2)	-	-	13,864	-
Net cash flow required for investing activities	(14,647)	(18,368)	(48,705)	(63,128)
NET INCREASE (DECREASE) IN CASH	(4,904)	1,097	(6,693)	791
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,188	5,880	6,977	6,186
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 284	$ 6,977	$ 284	$ 6,977

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Indiana Energy, Inc. and Subsidiary Companies
Notes To Consolidated Financial Statements

1. Financial Statements.
The consolidated financial statements include the accounts of Indiana Energy, Inc.'s (Indiana Energy) wholly- and majority-owned subsidiaries, after elimination of intercompany transactions. The consolidated financial statements separate the regulated utility operations, principally Indiana Gas Company, Inc. (Indiana Gas) from nonutility operations. The nonutility operations include IGC Energy, Inc. (IGC Energy), an indirect wholly-owned subsidiary of Indiana Energy.

The interim condensed consolidated financial statements included in this report have been prepared by Indiana Energy, without audit, as provided in the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted as provided in such rules and regulations. Indiana Energy believes that the information in this report reflects all adjustments necessary to fairly state the results of the interim periods reported, that all such adjustments are of a normally recurring nature, and the disclosures are adequate to make the information presented not misleading. These interim financial statements should be read in conjunction with the financial statements and the notes thereto included in Indiana Energy's latest annual report on Form 10-K.

Because of the seasonal nature of Indiana Energy's gas distribution operations, the results shown on a quarterly basis are not necessarily indicative of annual results.

2. Sale of EnTrade.
On December 29, 1992, IGC Energy sold its interest in EnTrade Corporation (EnTrade), a marketer of gas supplies to industrial and utility customers primarily in the eastern and midwestern United States. IGC Energy received from the purchaser, Tenneco Gas Marketing Company, 341,266 shares of Tenneco Inc. common stock valued at approximately $13.9 million. This stock was subsequently sold for approximately the same amount during January 1993. The transaction resulted in a net gain after tax of $7.1 million, or approximately 33 cents per average share adjusted for the three-for-two stock split effective October 1, 1993, and has been included in nonutility income in the three-month and twelve-month periods ended December 31, 1992. EnTrade's operations through the date of sale are reflected separately on the income statement for all periods reported.

Pro forma operating results for Indiana Energy, assuming the sale of EnTrade occurred January 1, 1992, are shown in the following table. Earnings per average share have been adjusted to reflect the three-for-two stock split effective October 1, 1993.

	Three Months Ended December 31		Twelve Months Ended December 31	
Thousands	1993	1992	1993	1992
Utility Income	$15,156	$14,302	$29,388	$28,251
Nonutility Income (Loss)	44	(106)	(298)	(372)
Net Income	15,200	13,911	29,090	26,312
Earnings Per Average Share of Common Stock	$.67	$.67	$1.33	$1.27

3. Cash Flow Information.
For the purposes of the Consolidated Statements of Cash Flows, Indiana Energy considers cash investments with an original maturity of three months or less to be cash equivalents. Cash paid during the periods reported for interest and income taxes were as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
Thousands	1993	1992	1993	1992
Interest (net of amount capitalized)	$ 1,820	$ 870	$14,956	$13,591
Income taxes	$ 580	$ 2,193	$10,330	$10,031

On December 29, 1992, IGC Energy disposed of its interest in EnTrade for approximately $13.9 million of Tenneco Inc. Common Stock which was subsequently sold for approximately the same amount during January 1993 (see Note 2). There were no other significant noncash activities.

4. Revenues.
To more closely match revenues and expenses, Indiana Gas records revenues for all gas delivered to customers but not billed at the end of the accounting period.

5. Gas in Underground Storage.
Based on the cost of purchased gas during December 1993, the cost of replacing the current portion of gas in underground storage exceeded last-in, first-out cost at December 31, 1993, by approximately $14,379,000.

6. Refundable or Recoverable Gas Costs.
The cost of gas purchased and refunds from suppliers, which differ from amounts recovered through rates are deferred and are being recovered or refunded in accordance with procedures approved by the Indiana Utility Regulatory Commission (IURC).

7. Allowance For Funds Used During Construction.
An allowance for funds used during construction (AFUDC), which represents the cost of borrowed and equity funds used for construction purposes, is charged to construction work in progress during the period of construction and included in "Other" on the Consolidated Statements of Income. The current annual AFUDC rate is 7.5 percent, however, prior to September 30, 1992, a rate of 10 percent was used.

The table below reflects the total interest capitalized and the portion of which was computed on borrowed funds and equity funds for all periods reported.

	Three Months Ended December 31		Twelve Months Ended December 31	
Thousands	1993	1992	1993	1992
AFUDC - Borrowed Funds	$ 231	$ 134	$ 676	$ 490
AFUDC - Equity Funds	189	122	553	463
Total AFUDC Capitalized	$ 420	$ 256	$ 1,229	$ 953

8. Common Stock.
On May 3, 1993, a registration statement was filed by Indiana Energy with the Securities and Exchange Commission with respect to the issuance of 1 million pre-split shares of common stock without par value (excluding the Underwriter's over-allotment option of 150,000 pre-split shares). On May 26, 1993, 1 million pre-split shares were issued under this registration statement. On June 22, 1993, an additional 54,600 pre-split shares were issued in connection with the over-allotment option. The net proceeds of approximately $31.4 million were reinvested in Indiana Gas during July and used for a portion of the preferred stock redemption and to finance its ongoing construction program, as well as for other corporate purposes.

On July 30, 1993, the board of directors of Indiana Energy authorized a three-for-two stock split of the outstanding shares of its common stock for shareholders of record on September 17, 1993. The shares were issued on October 1, 1993. All share and per share amounts have been restated for all periods reported to reflect the stock split.

9. Long-Term Debt.
On October 15, 1993, $10 million of 9.30% medium-term notes were redeemed.

10. Environmental.
In the past, Indiana Gas and others, including its predecessors, former affiliates and/or previous landowners, operated facilities for the manufacturing of gas and storage of manufactured gas. These facilities are no longer in operation and have not been operated for many years. In the manufacture and storage of such gas, various byproducts were produced, some of which may still be present at the sites where these manufactured gas plants and storage facilities were located. While management believes those operations were conducted in accordance with the then-applicable industry standards, under currently applicable environmental laws and regulations, Indiana Gas, and the others, may now be required to take remedial action if certain materials are found at these sites.

Indiana Gas has identified the existence, location and certain general characteristics of 26 gas manufacturing and storage sites. Indiana Gas has identified two sites requiring remediation and action is currently being taken. Indiana Gas' share of remediation and related costs for these two sites has been accrued. These sites are currently being reviewed by the Indiana Department of Environmental Management.

Indiana Gas is assessing, on a site-by-site basis, whether any of the remaining 24 sites require remediation, to what extent it is required and the estimated cost of such action. Indiana Gas' share of the estimated cost of performing these site-by-site assessments has also been accrued. Indiana Gas has completed preliminary assessments (PAs) on these sites and has completed site work leading to the completion of site investigations (SIs) at 15 of these sites. Based upon the site work completed to date, Indiana Gas believes some level of contamination may be present and ground water monitoring, at a minimum, will likely be required. As a result, Indiana Gas has accrued its share of the estimated costs of ground water monitoring for all 24 sites. The total costs which may be incurred in connection with the remediation of these 24 sites, if remedial action beyond monitoring is required, cannot be determined at this time.

Indiana Gas has nearly completed the process of identifying all potentially responsible parties (PRPs) for each site. Indiana Gas, with the help of outside counsel, has prepared estimates for its share of environmental liabilities, if they exist, at each of the sites. Indiana Gas has accrued only its proportionate share of the estimated costs, as described above, based on equitable principles derived from case law or applied by parties in achieving settlements.

Indiana Gas does not believe it can provide an estimate of the reasonably possible total remediation costs for any site, prior to completion of the remedial investigation/ feasibility study (RI/FS) and developing some sense of the timing of the resulting potential remedial alternatives.

Indiana Gas has notified insurance carriers of potential claims where policies may provide coverage for these environmental costs. Indiana Gas has not recorded any receivables related to recovery from insurance carriers at this time.

In January 1992, Indiana Gas filed a petition with the IURC seeking regulatory authority for, among other matters, recovery through rates of all costs Indiana Gas incurs in complying with federal, state and local environmental regulations in connection with gas manufacturing activities. On February 26, 1992, Indiana Gas received authority from the IURC to employ deferred accounting for these costs. This authorization will extend until the IURC rules upon Indiana Gas' pending request to establish and implement an ongoing ratemaking mechanism that will be designed and intended to provide for the recovery of these costs. Indiana Gas has deferred all environmental costs previously paid or accrued. These costs are approximately $10.4 million (including assessment, remediation and related costs) as of December 31, 1993.

The impact of complying with federal, state and local environmental regulations related to former manufactured gas plant sites on Indiana Gas' financial position and results of operations is contingent upon several uncertainties. These include the cost of compliance, the impact of joint and several liability upon the magnitude of the contingency, the ratemaking treatment authorized for these items by the IURC, as well as the recovery of environmental and related costs from insurance carriers.

Indiana Gas believes it will be successful in recovering the costs which it has incurred and may incur through rates, from other potentially responsible parties and from insurance carriers. However, there can be no assurance as to the amount or timing of any such recoveries.

11. Postretirement Benefits Other Than Pensions.
Indiana Gas provides postretirement health care and life insurance benefits. Substantially all employees who have completed 10 years of service will become eligible for such benefits if they reach retirement age while

still working for the company. The plan pays stated percentages of most reasonable and necessary medical expenses incurred by retirees, after subtracting payments by other providers and after a stated deductible has been met. These benefits, as well as similar benefits for active employees, are principally self-insured. Currently, Indiana Gas does not fund this postretirement plan.

Effective October 1, 1993, Indiana Gas adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS 106). SFAS 106 requires accounting for the costs of postretirement health care and life insurance benefits on the accrual basis. This means the costs of benefits paid in the future are recognized during the years that an employee provides service to Indiana Gas rather than the "pay-as-you-go" (cash) basis.

Indiana Gas has elected to amortize the unfunded transition obligation as of October 1, 1993, of approximately $55 million over a period of 20 years. The estimated annual provision for postretirement benefit cost (including transition obligation amortization) is approximately $8.2 million for fiscal 1994. This compares with the projected pay-as-you-go cost of approximately $2.9 million for the same period. Prior to fiscal 1994, Indiana Gas recognized postretirement benefit costs on the pay-as-you-go (cash) basis. Postretirement benefit costs recognized for fiscal years 1993 and 1992 were approximately $2,855,000 and $2,653,000, respectively.

The following table reconciles the plan's funded status to the accrued postretirement benefit cost as reflected on the balance sheet as of October 1, 1993:

	Thousands
Accumulated postretirement benefit obligation:	
Retirees and dependents	$30,313
Other fully eligible participants	6,839
Other active participants	18,288
	55,440
Fair value of plan assets	-
Accumulated postretirement benefit obligation in excess of plan assets	55,440
Unrecognized transition obligation	55,440
Accrued postretirement benefit cost	$ -

Net postretirement benefit cost for the three months ended December 31, 1993, consisted of the following components:

	Thousands
Service cost - benefits attributed to service during the period	$ 434
Interest cost on accumulated postretirement obligation	1,255
Amortization of transition obligation	866
Net postretirement benefit cost	2,555
Amounts deferred pending rate recognition	1,717
Actual cash payments through December 31, 1993	$ 838

The assumed health care cost trend rate for medical gross eligible charges used in measuring the accumulated postretirement benefit obligation as of October 1, 1993, was 11% for fiscal 1994. This rate is assumed to decrease gradually through fiscal 2003 to 4.75% and remain at that level thereafter. A one percent increase in the assumed health cost trend rates for each future year produces approximately a $6.9 million increase in the accumulated postretirement benefit obligation as of October 1, 1993, and approximately a $884,000 increase in the annual aggregate of the service and interest cost components of net postretirement benefit cost. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.25%.

In January 1992, Indiana Gas filed a petition with the IURC seeking regulatory authority for, among other matters, rate recovery of implementation of SFAS 106 relating to postretirement benefits other than pensions. Through a generic order issued on December 30, 1992, Indiana Gas received authority from the IURC to employ deferred accounting for these costs. This authorization will extend until the IURC rules upon Indiana Gas' pending request to adopt SFAS 106 for ratemaking purposes. An order is not expected until late calendar 1994. On November 12, 1993, Indiana Michigan Power Company (I & M) received an order from the IURC in its general rate case authorizing SFAS 106 to be adopted for ratemaking purposes. Indiana Gas continues to pursue full recovery of the costs of implementation of SFAS 106, however, no assurance can be given as to the ratemaking treatment for this issue.

12. Income Taxes.

Effective October 1, 1993, Indiana Gas adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Indiana Gas previously used the deferred method of accounting for income taxes as prescribed by Accounting Principles Bulletin Opinion No. 11. SFAS 109 requires the use of the liability method, which effectively results in a reduction in previously provided deferred income taxes to reflect the current statutory corporate tax rate.

Due to the effects of regulation on Indiana Gas, Indiana Gas is not permitted to recognize the effect of a tax rate change as income but is required to reduce tariff rates to return the "excess" deferred income taxes to ratepayers over the remaining life of the properties that give rise to the taxes. Therefore, the cumulative effect of a change in accounting principle upon the initial application of SFAS 109 resulted in no impact on earnings. Under SFAS 109, Indiana Gas has recorded a net regulatory liability for approximately $4.8 million on its balance sheet as of October 1, 1993, related to deferred taxes.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Indiana Gas' net deferred tax liability as of October 1, 1993, are as follows:

	Thousands
Deferred tax liabilities:	
Accelerated depreciation	$37,759
Property basis differences	17,347
Deferred fuel costs	9,528
Take-or-pay costs	5,102
Acquisition adjustment	6,904
Other	1,885
Deferred tax assets:	
Deferred investment tax credit	(5,296)
Regulatory income tax liability	(1,815)
Less deferred income taxes related to current assets and liabilities	(16,515)
Balance at October 1, 1993	$54,899

13. Reclassifications.
Certain reclassifications have been made to the prior periods' financial statements to conform to the current year presentation. These reclassifications have no impact on margin or net income previously reported.

Indiana Energy, Inc. and Subsidiary Companies
Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Earnings

The majority of Indiana Energy Inc.'s (Indiana Energy) consolidated earnings are from the operations of its gas distribution subsidiary, Indiana Gas Company, Inc. (Indiana Gas). On December 29, 1992, IGC Energy, Inc. (IGC Energy) disposed of its full investment in EnTrade Corporation (EnTrade), resulting in a net gain after tax of $7.1 million (see "Sale of EnTrade" on pages 7 and 17). Although Indiana Energy will continue to consider nonutility opportunities for investment, its principal business has been and will continue to be gas distribution.

Net income and earnings per average share of common stock for the three-, and twelve-month periods ended December 31, 1993, when compared to the same periods one year ago are listed below. Earnings per average share reflect the issuance of approximately 1.1 million shares of common stock during May 1993 which will lower reported earnings per average share in future periods.

Periods Ended December 31 (Millions except per share data)	1993 Net Income	1993 Earnings Per Share	1992 Net Income	1992 Earnings Per Share
Three Months	$15.2	$ .67	$20.7	$1.00
Twelve Months	$29.1	$1.33	$33.6	$1.62

Earnings per average share have been adjusted to reflect the three-for-two stock split effective October 1, 1993 (see Note 8).

The following discussion of operating results relates primarily to the combined operations of Indiana Gas.

Margin (Revenues Less Cost of Gas)

Margin for the quarter ended December 31, 1993, increased $4.6 million compared to the same period last year. The increase was primarily due to weather 6 percent colder than the same period last year and 2 percent colder than normal. Also contributing to the increase was the impact of the general rate increase for the entire quarter of this fiscal year as compared to approximately two months of the same period last year.

Margin for the twelve-month period ended December 31, 1993, increased $24.1 million compared to the same period last year. The increase for the twelve-month period reflects weather 10 percent colder than the same period last year and 1 percent colder than normal. The general rate increase, which was implemented October 28, 1992, also contributed to the increase as it was in effect for the entire twelve months of the current period.

Total system throughput (combined sales and transportation) increased 5 percent (1,587 MDth) for the first quarter of fiscal 1994 and 8 percent (8,240 MDth) for the twelve-month period ended December 31, 1993, compared to the same periods last year. Indiana Gas' rates for transportation generally provided the same margins as would have been earned had it sold the gas under its sales tariffs. Approximately one-half of total system throughput represents gas used for space heating and is affected by weather.

Total average cost per unit of gas purchased remained about the same for the three-month period ended December 31, 1993, when compared to the same period one year ago. For the twelve-month period, cost of gas per unit increased from $2.68 last year to $2.90 in the current period, primarily due to the influence of weather on the demand for gas.

Adjustments to Indiana Gas' rates and charges related to the cost of gas are made quarterly through gas cost adjustment (GCA) procedures established by Indiana law and administered by the Indiana Utility Regulatory Commission (IURC).

Operating Expenses

Operation and maintenance expenses increased approximately $2.2 million for the three-month period ended December 31, 1993, when compared to the same period one year ago. The increase is primarily attributable to increased labor and related benefits, including performance-based compensation, and the addition of new customers.

Operation and maintenance expenses for the twelve-month period increased approximately $15.1 million compared to the same period one year ago. Higher levels of operation and maintenance activity during the last nine months of fiscal 1993 resulted in increased labor and related benefits, including performance-based compensation, services, materials and supplies, advertising, collection costs and bad debt expenses.

Depreciation and amortization expense increased for the three- and twelve-month periods ended December 31, 1993, when compared to the same periods one year ago as the result of additions to utility plant to serve new customers and to maintain dependable service to existing customers.

Federal and state income taxes increased for the three- and twelve-month periods ended December 31, 1993, when compared to the same periods one year ago due to higher taxable income and a higher federal tax rate.

Taxes other than income taxes increased for the three- and twelve-month periods ended December 31, 1993, when compared to the same periods one year ago primarily due to increases in property tax expense resulting from higher property tax rates and higher assessed values. Higher gross receipts tax expenses as a result of increased revenue also contributed to the increase in the twelve-month period.

Interest Expense

Interest expense increased for the three- and twelve-month periods when compared to the same periods one year ago primarily as the result of increases in average debt outstanding slightly offset by decreases in interest rates.

Sale of EnTrade

On December 29, 1992, IGC Energy sold its interest in

EnTrade, a marketer of gas supplies to industrial and utility customers primarily in the Eastern and Midwestern United States. IGC Energy received from the purchaser, Tenneco Gas Marketing Company, 341,266 shares of Tenneco Inc. common stock valued at approximately $13.9 million. This stock was subsequently sold for approximately the same amount during January 1993. The transaction resulted in a net gain after tax of $7.1 million, or 33 cents per average common share adjusted to reflect the three-for-two stock split effective October 1, 1993, and has been included in nonutility income in the three- and twelve-month periods ended December 31, 1992. EnTrade's operations prior to the sale had no significant effect on consolidated earnings.

Other Operating Matters

Environmental Matters

Indiana Gas is currently conducting environmental investigations and work at certain sites that were the location of former manufactured gas plants. (See Note 10.)

Federal Energy Regulatory Commission Matters

In accordance with Federal Energy Regulatory Commission (FERC) Order No. 636, Indiana Gas' pipeline service providers have made a number of filings to restructure services. On May 1, 1993, Panhandle Eastern Pipe Line Company implemented a restructured services tariff. Texas Eastern Transmission Company's restructured tariff was implemented June 1, 1993. Indiana Gas' remaining pipeline service providers implemented restructured services on November 1, 1993. Indiana Gas' pipeline service providers are expected to seek from customers, including Indiana Gas, recovery of certain costs related to the transition to restructured services. Those costs will include certain gas supply realignment costs and are not expected to exceed $25 million.

Indiana Gas does not expect these matters to have a material effect on its financial position or results of operation because these costs are expected to be recovered through the GCA procedure. Indiana Gas continues to monitor developments concerning these and other pipeline issues, to participate in related negotiations, and to represent its interest in pipeline matters before FERC.

Postretirement Benefits Other Than Pensions

Effective October 1, 1993, Indiana Gas adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS 106). SFAS 106 requires accounting for the costs of postretirement health care and life insurance benefits on the accrual basis. This means the costs of benefits paid in the future are recognized during the years that an employee provides service to Indiana Gas rather than the "pay-as-you-go" (cash) basis. (See Note 11.)

In January 1992, Indiana Gas filed a petition with the IURC seeking regulatory authority for, among other matters, rate recovery of implementation of SFAS 106 relating to postretirement benefits other than pensions. Through a generic order issued on December 30, 1992, Indiana Gas received authority from the IURC to employ deferred accounting for these costs. This authorization will extend until the IURC rules upon Indiana Gas' pending request to adopt SFAS 106 for ratemaking purposes. An order is not expected until late calendar 1994. On November 12, 1993, Indiana Michigan Power Company (I & M) received an order from the IURC in its general rate case authorizing SFAS 106 to be adopted for ratemaking purposes. Indiana Gas continues to pursue full recovery of the costs of implementation of SFAS 106, however, no assurance can be given as to the ratemaking treatment for this issue.

Income Taxes

Effective October 1, 1993, Indiana Gas adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Indiana Gas previously used the deferred method of accounting for income taxes as prescribed by Accounting Principles Bulletin Opinion No. 11. SFAS 109 requires the use of the liability method, which effectively results in a reduction in previously provided deferred income taxes to reflect the current statutory corporate tax rate.

Due to the effects of regulation on Indiana Gas, Indiana Gas is not permitted to recognize the effect of a tax rate change as income but is required to reduce tariff rates to return the "excess" deferred income taxes to ratepayers over the remaining life of the properties that give rise to the taxes. Therefore, the cumulative effect of a change in accounting principle upon the initial application of SFAS 109 resulted in no impact on earnings.

Liquidity and Capital Resources

New construction to provide service to a growing customer base and normal system maintenance and improvements will continue to require substantial capital expenditures. For the twelve months ended December 31, 1993, Indiana Gas' capital expenditures totaled $58.8 million. Of this amount, 63 percent was provided by funds generated internally (net income plus charges not requiring funds less dividends). Capital expenditures for fiscal 1994 are estimated at $51.4 million of which $14.5 million have been expended during the three-month period ended December 31, 1993.

Indiana Gas' goal is to fund internally approximately 75 percent of its construction program. Capitalization objectives for Indiana Gas are 55-65 percent common equity and 35-45 percent long-term debt. This will help Indiana Gas to maintain its high creditworthiness. The senior debt of Indiana Gas is currently rated Aa3 by Moody's Investors Service and AA- by Standard & Poor's Corporation and Duff & Phelps.

On October 15, 1993, $10 million of 9.30% medium-term notes were redeemed.

The nature of Indiana Gas' business creates large short-term cash working capital requirements primarily to finance customer accounts receivable, unbilled utility revenues resulting from cycle billing, gas in underground storage and construction expenditures until permanently financed. Short-term borrowings tend to be greatest during the heating season when accounts receivable and unbilled utility revenues are at their highest. Depending on cost, commercial paper or bank lines of credit are used as sources of short-term financing. Indiana Gas' commercial paper is rated P-1 by Moody's and A-1+ by Standard & Poor's. Long-term financial strength and flexibility require maintaining throughput volumes, controlling costs and, if absolutely necessary, securing timely increases in rates to recover costs and provide a fair and reasonable return to shareholders.

Indiana Energy, Inc. and Subsidiary Companies
Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

None

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.

INDIANA ENERGY, INC.
Registrant

Dated February 10, 1994 /s/Niel C. Ellerbrook
Niel C. Ellerbrook
Vice President and Treasurer
and Chief Financial Officer

Dated February 10, 1994 /s/Jerome A. Benkert
Jerome A. Benkert
Controller