FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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LG&E ENERGY CORP

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Business Address
220 W MAIN ST
P O BOX 32030
LOUISVILLE KY 40232
5026272000

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

Commission file number 1 - 10568

LG&E ENERGY CORP.
(Exact name of registrant as specified in its charter)

Kentucky (State or other jurisdiction of incorporation or organization)	61 - 1174555 (I.R.S. Employer Identification No.)
220 West Main Street P.O. Box 32030 Louisville, KY (Address of principal executive offices)	40232 (Zip Code)

(502) 627-2000
(Registrant's telephone number)

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 practicable date. 32,988,441 shares, without par value, as of April 30, 1994.

Part I. Financial Information - Item 1. Financial Statements

LG&E Energy Corp. and Subsidiaries
Statements of Income
(Unaudited - Thousands of $ Except Per Share Data)

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
REVENUES:		
Electric	$123,418	$125,025
Gas	96,362	84,781
Non-utility	24,682	28,590
Total revenues	244,462	238,396
COST OF REVENUES:		
Fuel and power purchased	36,620	37,873
Gas supply expenses	67,399	57,362
Development and construction costs	20,758	25,169
Total cost of revenues	124,777	120,404
Gross profit	119,685	117,992
OPERATING EXPENSES:		
Operation and maintenance	59,052	54,001
Depreciation and amortization	20,965	20,538
Non-recurring charges (Note 3)	48,743	-
Total operating expenses	128,760	74,539
Equity in earnings of joint ventures	2,544	1,333
OPERATING INCOME (LOSS)	(6,531)	44,786
Other income and (deductions) (Note 4)	(15,841)	(437)
Interest charges	10,597	12,354
Income (loss) from continuing operations before income taxes	(32,969)	31,995
Income taxes	(14,383)	11,835
Income (loss) from continuing operations before preferred dividends	(18,586)	20,160
Preferred dividends	1,378	1,587
INCOME (LOSS) FROM CONTINUING OPERATIONS	$(19,964)	$ 18,573

LG&E Energy Corp. and Subsidiaries
Statements of Income (cont.)
(Unaudited - Thousands of $ Except Per Share Data)

	Three Months Ended March 31, 1994	1993
INCOME (LOSS) FROM CONTINUING OPERATIONS.	$(19,964)	$ 18,573
Income from discontinued operations, net of income taxes of $984 (Note 5)	-	1,524
Gain on sale of discontinued operations, net of income taxes of $35,048 (Note 5).	51,805	-
Income before cumulative effect of change in accounting principle	31,841	20,097
Cumulative effect of change in accounting principle, net of income taxes of $2,280 (Note 6).	(3,369)	-
NET INCOME.	$ 28,472	$ 20,097
Average common shares outstanding	32,967	32,443
EARNINGS PER SHARE:		
Continuing operations.	$ (.61)	$ .57
Income from discontinued operations.	-	.05
Gain on sale of discontinued operations.	1.57	-
Cumulative effect of accounting change	(.10)	-
Total earnings per share.	$ .86	$ .62

LG&E Energy Corp. and Subsidiaries
Balance Sheets
(Unaudited)
(Thousands of $)

ASSETS

	March 31, 1994	Dec. 31, 1993
UTILITY PLANT:		
At original cost	$2,477,152	$2,464,101
Less: reserve for depreciation.	841,988	823,141
Net utility plant	1,635,164	1,640,960
OTHER PROPERTY AND INVESTMENTS - less reserve:		
Investments in affiliates.	66,806	63,241
Other.	38,662	24,949
Investment in discontinued operations (Note 5) . . .	-	84,284
Total other property and investments.	105,468	172,474

CURRENT ASSETS:		
Cash and temporary cash investments.	121,920	67,377
Marketable securities.	95,706	-
Accounts receivable - less reserve	117,261	124,504
Materials and supplies - at average cost:		
Fuel (predominantly coal)	13,514	12,075
Gas stored underground.	10,804	33,370
Other	39,554	40,357
Prepayments and other.	5,022	1,600
Total current assets.	403,781	279,283
DEFERRED DEBITS AND OTHER ASSETS:		
Unamortized debt expense	24,404	24,698
Accumulated deferred income taxes.	76,955	58,675
Regulatory asset - income taxes.	39,388	39,651
Other.	37,462	69,053
Total deferred debits and other assets.	178,209	192,077
Total assets.	$2,322,622	$2,284,794

LG&E Energy Corp. and Subsidiaries
Balance Sheets (cont.)
(Unaudited)
(Thousands of $)

CAPITAL AND LIABILITIES

	March 31, 1994	Dec. 31, 1993
CAPITALIZATION:		
Common stock, without par value - Authorized 75,000,000 shares; outstanding 32,988,441 shares and 32,956,148 shares (Note 2).	$ 460,089	$ 458,940
Common stock expense	(899)	(899)
Retained earnings.	282,924	271,606
Total common equity	742,114	729,647
Cumulative preferred stock	116,716	116,716
Long-term debt	662,875	662,879
Total capitalization.	1,521,705	1,509,242
CURRENT LIABILITIES:		
Notes payable.	-	20,000
Accounts payable	103,566	111,192
Common dividends declared.	17,154	17,137
Accrued taxes.	51,824	11,267
Accrued interest	11,489	12,864
Other.	36,227	38,394
Total current liabilities	220,260	210,854

DEFERRED CREDITS AND OTHER LIABILITIES:

Accumulated deferred income taxes	338,133	345,630
Investment tax credit, in process of amortization	90,383	91,572
Customers' advances for construction	7,422	7,384
Regulatory liability - income taxes	46,943	46,528
Other	97,776	73,584
Total deferred credits and other liabilities	580,657	564,698
Total capital and liabilities	$2,322,622	$2,284,794

LG&E Energy Corp. and Subsidiaries
Statements of Cash Flows
(Unaudited - Thousands of $)

	Three Months Ended March 31, 1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 28,472	$ 20,097
Items not requiring cash currently:		
Cumulative effect of change in accounting principle	3,369	-
Non-recurring charges	48,743	-
Depreciation and amortization	20,965	20,538
Deferred income taxes - net	(20,531)	(12,318)
Investment tax credit - net	(1,189)	(9,462)
Undistributed earnings of joint ventures	(1,552)	(934)
Income from discontinued operations	-	(1,524)
Gain on sale of discontinued operations	(90,878)	-
Other	7,493	4,029
(Increases) decreases in net current assets:		
Accounts receivable	7,243	(8,843)
Materials and supplies	21,930	30,074
Accounts payable	(7,626)	(20,313)
Accrued taxes	40,557	29,644
Accrued interest	(1,375)	362
Prepayments and other	(5,589)	(6,790)
Other	(3,502)	7,250
Net cash provided by operating activities	46,530	51,810
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of capital asset	-	91,076
Investment in marketable securities	(95,706)	-
Long-term investment in securities	(13,847)	(165)
Construction expenditures	(14,433)	(22,280)
Investment in affiliates	(2,013)	-
Proceeds from sale of discontinued operations	170,000	-
Net cash provided by investing activities	44,001	68,631
CASH FLOWS FROM FINANCING ACTIVITIES:		

Issuance of common stock	1,149	6,318
Retirement of pollution control bonds.	-	(27,411)
Decrease in notes payable.	(20,000)	(8,000)
Payment of common dividends.	(17,137)	(16,253)
Net cash used for financing activities.	$ (35,988)	$ (45,346)

LG&E Energy Corp. and Subsidiaries
Statements of Cash Flows (cont.)
(Unaudited - Thousands of $)

	Three Months Ended March 31, 1994	1993
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	$ 54,543	$ 75,095
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD.	67,377	21,997
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD.	$ 121,920	$ 97,092
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes.	$ 6,240	$ 4,618
Interest on borrowed money.	11,781	11,906

For the purposes of this statement, all temporary cash investments purchased with a maturity of three months or less are considered cash equivalents.

LG&E Energy Corp. and Subsidiaries
Statements of Retained Earnings
(Unaudited)
(Thousands of $)

	Three Months Ended March 31, 1994	1993
Balance at beginning of period.	$271,606	$251,121
Net income.	28,472	20,097
Subtotal	300,078	271,218
Cash dividends declared on common stock ($.52 and $.5025 per share)	17,154	16,335
Balance at end of period.	$282,924	$254,883

LG&E Energy Corp. and Subsidiaries

Notes to Financial Statements
(Unaudited)

1. The unaudited consolidated financial statements include the accounts of LG&E Energy Corp. and its wholly-owned subsidiaries - Louisville Gas and Electric Company (LG&E) and LG&E Energy Systems Inc. (Energy Systems), collectively referred to as the "Company."

In the opinion of management, all adjustments have been made to present fairly the consolidated financial position, results of operations and cash flows for the periods indicated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Certain amounts in the statements of income and cash flows for the three months ended March 31, 1993, have been restated to be consistent with the presentation for the three months ended March 31, 1994.

These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year 1993.

2. Changes in common stock outstanding during the three months ended March 31, 1994, were:

	Shares	$000's
Outstanding January 1	32,956,148	$458,940
Issued under the Employee Common Stock Purchase Plan	21,640	718
Issued under the Omnibus Long-Term Incentive Plan	10,653	431
Outstanding March 31	32,988,441	$460,089

3. Effective January 1, 1994, the Company realigned its business to reflect its outlook for rapidly emerging competition in all segments of the energy service industry. Under the realignment, a national business unit, LG&E Energy Services, was formed to develop and manage all of its utility and non-utility electric power generation and concentrate on the marketing and brokering of wholesale electric power on a regional and national basis. LG&E, an electric and gas utility that is the Company's principle subsidiary, will increase its focus on customer service and develop more customer options as the local utility industry becomes more competitive in the future.

In addition to the realignment, LG&E has been re-evaluating its regulatory strategy which previously had been to seek full recovery of certain costs deferred in accordance with prior precedent established by the Public

Service Commission of Kentucky. LG&E completed its study in the first quarter of 1994 and decided to write off several non-recurring items amounting to approximately $38.6 million before tax. While LG&E continues to believe that it could have reasonably expected to recover these costs in future rate proceedings before the Public Service Commission of Kentucky, LG&E decided to deduct these expenses currently and not seek recovery for such expenses in future rates due to increasing competitive pressures and the existing and anticipated future economic conditions. The items written off include costs incurred in connection with early retirements and work force reductions that occurred in 1992 and 1993 which consist primarily of separation payments, enhanced early retirement benefits, and health care benefits; costs associated with property damage claims pertaining to particulate emission from its Mill Creek electric generating plant which primarily consist of spotting on automobile finish and aluminum siding; and certain costs previously deferred resulting from adoption in January 1993 of SFAS No. 106 (Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions).

LG&E Power Inc. (LPI) set up a reserve for $10.1 million before tax for the cost related to terminating a contract to lease office space. This cost and the costs mentioned above that were incurred by LG&E have been classified as non-recurring charges in the accompanying statements of income.

4. In the first quarter of 1994, the board of directors of the Company approved the formation of a tax-exempt charitable foundation which will make charitable contributions to qualified persons and entities. The board authorized an initial contribution to the foundation of up to $15 million. Accordingly, the Company recorded a pretax charge against income and accrued $15 million to fund the contribution. Funding is anticipated to occur following the receipt of exempt status for the foundation under the Internal Revenue Code. Contributions made from this foundation will not be charged against income and, therefore, will not affect the Company's net income in the future.

5. The Company sold its 36.5% equity interest in Natural Gas Clearinghouse (NGC) to NOVA Corporation in January 1994 for $170 million. The sale resulted in a pretax gain of $87 million, and the tax on the gain totaled $35 million. All of these amounts were in line with previously-disclosed estimates.

The Company's gain on the sale, investment balance, and equity in the earnings of NGC have been classified as discontinued operations in the accompanying financial statements.

6. The Company adopted SFAS No. 112 (Statement of Financial Accounting Standards No. 112, Employers' Accounting for Post-Employment Benefits) in the first quarter of 1994. SFAS No. 112 requires the accrual of the expected cost of benefits to former or inactive employees after employment but before retirement. The cumulative effect of the accounting change was recorded in the first quarter of 1994 and decreased pretax income by $5.6 million.

7. In connection with the financing of various power projects, Energy Systems and LPI provide equity funding commitments and guarantee the construction and performance of the projects. Ascertainable equity funding commitments were $57 million and $36 million at March 31, 1994, and December 31, 1993, respectively. Contingent construction and project performance guarantees totaled $213 million at March 31, 1994, and $198 million at December 31, 1993.

Westmoreland Energy Inc. (WEI) is a partner along with LPI in six cogeneration projects in operation or under construction. Under an agreement signed on April 15, 1993, LPI and Energy Systems have guaranteed (in exchange for fees and other consideration) the equity funding commitment of WEI in connection with the following three projects: Roanoke Valley I, Roanoke Valley II, and Rensselaer. The additional commitments resulting from this agreement total $35.5 million.

During December 1993, the Company signed an agreement with Nations Financial Capital Corporation (Nations Financial) under which Nations Financial agreed, in exchange for fees, to assume $26.9 million of the Company's contingent equity funding commitment for Roanoke Valley I and II resulting from its April 15, 1993, agreement with WEI.

8. Reference is made to Part II herein - Item 1, Legal Proceedings.

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

The Company's principal subsidiary is LG&E, an electric and gas utility. Accordingly, LG&E's results of operations and liquidity and capital resources are the primary factors affecting the Company's consolidated results of operations and capital resources and liquidity.

Results of Operations

LG&E's results of operations are significantly affected by seasonal fluctuations in temperature and other weather-related factors. Additionally, results of the Company's non-utility operations are dependent, among other things, upon the timing and magnitude of development and construction activities associated with LPI's various electric generation projects. Because of these and other factors, the results of one interim period are not necessarily indicative of results or trends to be expected for the full year.

Three Months Ended March 31, 1994, Compared with
Three Months Ended March 31, 1993

The increase in net income was due primarily to recognizing a gain on the sale of the Company's interest in NGC and to higher earnings from LPI (before non-recurring charges). Partially offsetting these increases were decreases resulting from recording non-recurring charges (see note 3), the expense associated with the formation of a tax-exempt charitable foundation (see note

4), and the cumulative effect of a change in accounting principle, as well as decreases resulting from lower earnings from LG&E (before non-recurring charges) resulting from increased storm damage expenses caused by the area's worst winter storm in 16 years, and lower income from discontinued operations.

A comparison of utility operating revenues for the quarter ended March 31, 1994, with the quarter ended March 31, 1993, reflects increases and decreases which have been segregated by the following principal causes:

	Increase or (Decrease) (Thousands of $)	
Cause	Electric Revenues	Gas Revenues
Sales to ultimate consumers:		
Fuel and gas supply adjustments	$ (987)	$ 811
Variation in sales volume, etc.	3,896	12,077
Total	2,909	12,888
Sales to other utilities	(4,650)	-
Gas transportation - net	-	(1,395)
Other	134	88
Total	$(1,607)	$11,581

The decrease in non-utility revenues resulted from lower levels of activity on LPI's Roanoke Valley I and Rensselaer construction projects. The lower activity was due to the projects' nearing completion in 1994.

Fuel for electric generation and gas supply expenses comprise a large segment of LG&E's total operating expenses. LG&E's electric and gas rates contain a fuel adjustment clause and a gas supply clause, respectively, whereby increases or decreases in the cost of fuel and gas supply may be reflected in LG&E's rates, subject to the approval of the Public Service Commission of Kentucky. Fuel and power purchased decreased 3% for the quarter. Fuel expenses decreased slightly for the quarter primarily because of a decrease in the cost of coal burned. Power purchased decreased due mainly to less power wheeled for other utilities.

Gas supply expenses increased 17% due mainly to an increase in the volume of gas delivered to the distribution system and the higher cost of gas purchased.

Development and construction costs decreased due mainly to the lower level of activity on LPI's Roanoke Valley I and Rensselaer construction projects.

Operation and maintenance expenses increased primarily as a result of increases at LG&E related to increased electric and gas distribution expenses, increased costs to operate and maintain the electric power plants, and an increase in storm damage expenses caused by the severe winter weather.

Depreciation and amortization increased because of increased depreciable plant in service.

Non-recurring charges include LG&E's write off of costs in connection with early retirements and work force reductions that occurred in 1992 and 1993, costs in connection with property damage claims pertaining to particulate emissions from the Mill Creek electric generating plant, and certain costs previously deferred resulting from adoption of SFAS No. 106 (Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions) expense previously recorded as a deferred item. Non-recurring charges also includes a reserve to record costs related to terminating a contract entered into by LPI to lease office space. See Note 3 of Notes to Financial Statements.

The increase in equity in earnings of joint ventures was due mainly to increased dispatch levels at LPI's Virginia projects.

Other income and deductions include the provision associated with the formation of a tax-exempt charitable foundation. See Note 4 of Notes to Financial Statements.

Interest charges decreased because of a lower composite interest rate on outstanding debt and a reduction in notes payable.

Variations in income tax expense are largely attributable to changes in pretax income.

Income from discontinued operations and gain on sale of discontinued operations reflect the sale of the Company's investment in NGC in January 1994. See Note 5 of Notes to Financial Statements.

Cumulative effect of change in accounting principle reflects the adoption of SFAS No. 112 (Statement of Financial Standards No. 112, Employers' Accounting for Post-Employment Benefits). See Note 6 of Notes to Financial Statements.

Liquidity and Capital Resources

The Company's need for capital funds is primarily related to the construction of plant and equipment necessary to meet LG&E's electric and gas customers' needs and protection of the environment. Needs for capital funds also arise from partnership equity contributions in connection with independent power production projects in the non-utility business. Utility construction expenditures for the first three months of 1994 of $14 million were financed with internally-generated funds.

At March 31, 1994, loan agreements and lines of credit were in place totaling $320 million ($25 million for LG&E Energy Corp., $145 million for LG&E, and $150 million for Energy Systems) for which the companies pay commitment or facility fees. These lines of credit were unused as of March 31, 1994. These credit lines are scheduled to expire at various times between 1994 and 1996, and management intends to renegotiate them when they expire.

The Company's capitalization ratios at March 31, 1994, and December 31, 1993, were:

	March 31, 1994	Dec. 31, 1993
Long-term debt	43.5%	43.4%
Notes payable	-	1.3
Preferred stock	7.7	7.6
Common equity	48.8	47.7
Total	100.0%	100.0%

For a description of significant contingencies that may affect the Company, reference is made to Part II herein - Item 1, Legal Proceedings.

Part II. Other Information

Item 1. Legal Proceedings.

For a description of the significant legal proceedings involving the Company, reference is made to the information under the items and captions of the Company's Annual Report on Form 10-K for the year ended December 31, 1993: Item 1, Business; Item 3, Legal Proceedings; Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition; and Notes 10 and 11 of the Notes to Financial Statements under Item 8, Financial Statements and Supplementary Data. Except as noted below, there have been no material changes in these proceedings as reported in the Company's Form 10-K.

Environmental. As discussed in Note 10 of the Notes to Financial Statements under Item 8 of the Company's Form 10-K, LG&E owns or formerly owned three primary sites where manufactured gas plant operations were located. Such manufactured gas plant operations, conducted in the 1838 to 1960 time period, typically produced coal tar byproducts and other constituents that may necessitate cleanup measures. LG&E commenced site investigations at the two LG&E-owned sites to determine if significant levels of contaminants are present. In the first quarter of 1994, LG&E entered into an agreement with the current owner of the third site and a third party in which the three parties have committed to jointly perform a site investigation. LG&E anticipates spending a total of approximately $1.3 million on site investigations expected to be completed by 1995. Preliminary testing at all three sites has identified contaminants typical of manufactured gas plant operations. Until an investigation and associated regulatory review is completed for each site, LG&E will be unable to predict what, if any, cleanup activities may be necessary.

Trimble County Generating Plant. As discussed in Note 11 of the Notes to Financial Statements under Item 8 of the Company's Form 10-K, on January 7, 1994, LG&E filed testimony with the Kentucky Public Service Commission (Commission) in which it recommended that the Commission allow it to recover the approximately $11.1 million it refunded to customers under the 1989 settlement agreement. Testimony was filed by the Kentucky Attorney General, the Jefferson County Attorney, the Metro Human Needs Alliance, and the Kentucky Industrial Utility Customers. The testimony recommended that the Commission order LG&E to refund approximately $183 million, based upon their argument that LG&E should refund 25% of the revenue requirements associated with Trimble County's construction work in progress it collected over the course of the Trimble County construction project. LG&E continues to maintain the position that no additional refunds are necessary to fully effectuate the Commission's disallowance of 25% of Trimble County's costs, and that the refund amounts supported by the other parties to the proceeding would require the Commission to engage in retroactive ratemaking, which is prohibited under Kentucky law. No date has been set for a hearing. LG&E is unable to predict the outcome of the Commission proceedings, the amount of additional refunds or recoveries, if any, that may be ordered or whether the Commission will revise its earlier position.

Item 6(b). Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LG&E ENERGY CORP.
Registrant

Date: May 13, 1994

/s/ Charles A. Markel
Charles A. Markel
Corporate Vice President, Finance
and Treasurer
(On behalf of the registrant in his
capacity as Principal Accounting Officer)