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VECTREN CORP
Form 8-K/A
August 29, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: August 27, 2001

VECTREN CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

INDIANA

(State or Other Jurisdiction of Incorporation)

1-15467

35-2086905

(Commission File Number)

(IRS Employer Identification No.)

20 N.W. Fourth Street
Evansville, Indiana 47741
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (812) 491-4000

Item 7. Financial Statements and Exhibits.

On October 31, 2000, Vectren Corporation, the public utility holding company of Indiana Gas Company, Inc. (the company), completed the acquisition of the natural gas distribution assets from The Dayton Power and Light Company, a wholly owned subsidiary of DPL, Inc. The business will operate under the name Vectren Energy Delivery of Ohio, Inc. (VEDO). Under the acquisition structure, the company holds a 47 percent undivided ownership interest and VEDO has a 53 percent undivided ownership interest. This Form 8-K/A amends the Current Report on Form 8-K filed by Vectren Corporation on January 16, 2001 to provide additional information on the calculation of pro forma interest expense in Note 3b and the pro forma balance sheet in the introduction.

The following financial statements is included:

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Pro forma financial statements of Vectren Corporation for the year ended December 31, 1999 and as of September 30, 2000 and for the nine months ended September 30, 2000.

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 hereunto duly authorized.

VECTREN CORPORATION
(Registrant)

Dated: August 27, 2001

By: /s/ M. Susan Hardwick

M. Susan Hardwick
Vice President and Controller

Vectren Corporation And Subsidiary Companies

Index

| Unaudited Pro Forma Combined Financial Statements | Page |
|--|------|
| Introduction | 1 |
| Unaudited Pro Forma Combined Balance Sheet as of September 30, 2000 | 2 |
| Unaudited Pro Forma Combined Statement of Income for the Year Ended December 31, 1999 | 3 |
| Unaudited Pro Forma Combined Statement of Income for the Nine Months Ended September 30, 2000 | 4 |
| Notes to Pro Forma Financial Statements | 5 |

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Vectren Corporation and Subsidiary Companies

Pro Forma Financial Information

The accompanying financial statements present the unaudited pro forma balance sheet as of September 30, 2000 and the unaudited pro forma statement of income for the nine months ended September 30, 2000 and for the year ended December 31, 1999.

On October 31, 2000, Vectren Corporation (Vectren) completed its acquisition of the natural gas distribution assets of The Dayton Power and Light Company (Acquisition) for approximately \$465 million pursuant to an Asset Purchase Agreement dated December 14, 1999. Vectren acquired the gas utility assets as a tenancy in common through two separate wholly-owned subsidiaries. Operations will be conducted under the name Vectren Energy Delivery of Ohio (VEDO). Under the acquisition structure, Indiana Gas Company, Inc., one of Vectren's operating public utilities, holds a 47 percent undivided ownership interest and VEDO has a 53 percent undivided ownership interest.

The unaudited pro forma balance sheet as of September 30, 2000 reflects the combination of the September 30, 2000 balance sheet of Vectren Corporation and the October 31, 2000 balance sheet of The Dayton Power & Light Company Natural Gas Retail Distribution Business. The pro forma statement of income for the nine month period ended September 30, 2000 and for the year ended December 31, 1999 are presented as if the Acquisition had occurred at January 1, 1999.

Preparation of the pro forma financial information was based on assumptions deemed appropriate by management. The pro forma information is unaudited and is not necessarily indicative of the results which actually would have occurred if the transaction had been consummated at the beginning of the period presented, nor does it purport to represent the future financial position and results of operations for future periods. The pro forma information should be read in conjunction with the audited consolidated financial statements of Vectren filed on Form 8-K for the year ended December 31, 1999 and the unaudited financial statements of Vectren filed on Form 10-Q for the quarter ended September 30, 2000.

2

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 As Of September 30, 2000
 (In Thousands)

| | Pro forma Adjustments | | |
|---------------------------|-----------------------|-----------------|----------------|
| | Vectren | Dayton | Vectren |
| | Historical | Acquisition | (2a) Pro Forma |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 19,009 | \$ (2,482) (2c) | \$ 16,527 |

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| | | | |
|---|-------------|--------------|-------------|
| Temporary investments | 826 | - | 826 |
| Accounts receivable, net | 134,821 | 11,634 | 146,455 |
| Accrued unbilled revenues | 21,058 | - | 21,058 |
| Inventories | 47,897 | 54,199 | 102,096 |
| Prepaid gas delivery service | 46,788 | - | 46,788 |
| Recoverable fuel and natural gas costs | 30,680 | 8,156 | 38,836 |
| Prepayments and other current assets | 31,376 | 13,621 | 44,997 |
| | ----- | ----- | ----- |
| Total current assets | 332,455 | 85,128 | 417,583 |
| | ----- | ----- | ----- |
| Utility Plant: | | | |
| Original cost | 2,419,568 | 334,804 | 2,754,372 |
| Less: accumulated depreciation and amortization | 1,069,471 | 145,939 | 1,215,410 |
| | ----- | ----- | ----- |
| Net utility plant | 1,350,097 | 188,865 | 1,538,962 |
| | ----- | ----- | ----- |
| Other Investments: | | | |
| Investments in leveraged leases | 91,253 | - | 91,253 |
| Investments in partnerships and other corporations | 80,873 | - | 80,873 |
| Notes receivable | 62,384 | - | 62,384 |
| Other | 2,008 | - | 2,008 |
| | ----- | ----- | ----- |
| Total other investments | 236,518 | - | 236,518 |
| | ----- | ----- | ----- |
| Nonutility property, net of accumulated depreciation | 89,530 | 1,605 | 91,135 |
| Other Assets: | | | |
| Goodwill | - | 199,600 (2b) | 199,600 |
| Deferred charges | 20,578 | (3,336) (2c) | 17,242 |
| Unamortized debt costs | 14,970 | - | 14,970 |
| Demand side management programs | 25,686 | - | 25,686 |
| Other | 3,134 | - | 3,134 |
| | ----- | ----- | ----- |
| Total other assets | 64,368 | 196,264 | 260,632 |
| | ----- | ----- | ----- |
| TOTAL ASSETS | \$2,072,968 | \$471,862 | \$2,544,830 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these pro forma combined financial statements.

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 As Of September 30, 2000
 (In Thousands)

| | Pro forma Adjustments | |
|------------|-----------------------|-----------|
| | ----- | |
| Vectren | Dayton | Vectren |
| Historical | Acquisition (2a) | Pro Forma |
| ----- | ----- | ----- |

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LIABILITIES AND SHAREHOLDERS' EQUITY

| | | | |
|---|-------------|--------------|-------------|
| Current Liabilities: | | | |
| Current maturities of adjustable rate bonds subject to tender | \$ 53,700 | \$ - | \$ 53,700 |
| Current maturities of long-term debt and other obligations | 258 | - | 258 |
| Short-term borrowings | 310,545 | 463,981 (2d) | 774,526 |
| Accounts payable | 99,964 | - | 99,964 |
| Refunds to customers and customer deposits | 13,556 | 7,881 | 21,437 |
| Accrued taxes | 14,344 | - | 14,344 |
| Accrued interest | 12,617 | - | 12,617 |
| Accrued purchase gas | 15,076 | - | 15,076 |
| Other current liabilities | 50,506 | - | 50,506 |
| | ----- | ----- | ----- |
| Total current liabilities | 570,566 | 471,862 | 1,042,428 |
| | ----- | ----- | ----- |
| Deferred Credits and Other Liabilities: | | | |
| Deferred income taxes | 203,219 | - | 203,219 |
| Accrued postretirement benefits other than pensions | 44,675 | - | 44,675 |
| Unamortized investment tax credits | 23,756 | - | 23,756 |
| Other | 18,111 | - | 18,111 |
| | ----- | ----- | ----- |
| Total deferred credits and other liabilities | 289,761 | - | 289,761 |
| | ----- | ----- | ----- |
| Commitments and Contingencies | | | |
| Minority interest in subsidiary | 1,900 | - | 1,900 |
| Capitalization: | | | |
| Long-term debt and other obligations, net of current maturities | 484,074 | - | 484,074 |
| Preferred stock of subsidiary: | | | |
| Redeemable | 8,076 | - | 8,076 |
| Nonredeemable | 8,889 | - | 8,889 |
| | ----- | ----- | ----- |
| Total preferred stock | 16,965 | - | 16,965 |
| | ----- | ----- | ----- |
| Common stock (no par value) - issued and outstanding 61,219 | 213,742 | - | 213,742 |
| Retained earnings | 495,886 | - | 495,886 |
| Accumulated other comprehensive income | 74 | - | 74 |
| | ----- | ----- | ----- |
| Total common shareholders' equity | 709,702 | - | 709,702 |
| | ----- | ----- | ----- |
| Total capitalization | 1,210,741 | - | 1,210,741 |
| | ----- | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$2,072,968 | \$ 471,862 | \$2,544,830 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these pro forma combined financial statements.

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For The Year Ended December 31, 1999

(In Thousands)

| | Pro forma Adjustments | | | Vectren Pro forma |
|--|-----------------------|----------------------|----------------------------|----------------------|
| | Vectren Historical | Dayton Historical | Acquisition Adjustments | |
| OPERATING REVENUES: | | | | |
| Gas utility | \$ 499,573 | \$218,866 | \$ - | \$ 718,439 |
| Electric utility | 307,569 | - | - | 307,569 |
| Energy services and other | 261,275 | - | - | 261,275 |
| Total operating revenues | 1,068,417 | 218,866 | - | 1,287,283 |
| OPERATING EXPENSES: | | | | |
| Cost of gas sold | 266,429 | 131,302 | - | 397,731 |
| Fuel for electric generation | 66,305 | - | - | 66,305 |
| Purchased electric energy | 20,791 | - | - | 20,791 |
| Cost of energy services and other | 247,590 | - | - | 247,590 |
| Other operating | 189,622 | 29,180 | - | 218,802 |
| Depreciation and amortization | 86,998 | 8,117 | 4,990 (3a) | 100,105 |
| Taxes other than income taxes | 29,910 | 23,070 | - | 52,980 |
| Total operating expenses | 907,645 | 191,669 | 4,990 | 1,104,304 |
| OPERATING INCOME (LOSS) | 160,772 | 27,197 | (4,990) | 182,979 |
| OTHER INCOME: | | | | |
| Equity in earnings of unconsolidated investments | 11,642 | - | - | 11,642 |
| Other - net | 8,902 | - | - | 8,902 |
| Total other income | 20,544 | - | - | 20,544 |
| INTEREST EXPENSE | 42,862 | - | 27,839 (3b) | 70,701 |
| INCOME (LOSS) BEFORE PREFERRED DIVIDENDS AND INCOME TAXES | 138,454 | 27,197 | (32,829) | 132,822 |
| PREFERRED DIVIDEND REQUIREMENT OF SUBSIDIARY | 1,078 | - | - | 1,078 |
| INCOME (LOSS) BEFORE INCOME TAXES | 137,376 | 27,197 | (32,829) | 131,744 |
| INCOME TAXES (BENEFIT) | 45,708 | 9,204 | (11,490) (3c) | 43,422 |
| INCOME (LOSS) BEFORE MINORITY INTEREST | 91,668 | 17,993 | (21,339) | 88,322 |
| MINORITY INTEREST IN SUBSIDIARY | 920 | - | - | 920 |
| NET INCOME (LOSS) | \$ 90,748 | \$ 17,993 | \$ (21,339) | \$ 87,402 |
| AVERAGE COMMON SHARES OUTSTANDING | 61,306 | 61,306 | 61,306 | 61,306 |
| DILUTED COMMON SHARES OUTSTANDING | 61,430 | 61,430 | 61,430 | 61,430 |

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| | | | | |
|---|---------|--------|----------|---------|
| BASIC EARNINGS PER AVERAGE SHARE OF COMMON STOCK | \$ 1.48 | \$.29 | \$ (.35) | \$ 1.43 |
| DILUTED EARNINGS PER SHARE OF COMMON STOCK | \$ 1.48 | \$.29 | \$ (.35) | \$ 1.42 |

The accompanying notes are an integral part of these pro forma combined financial statements.

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For Nine Months Ended September 30, 2000
(In Thousands)

| | | Pro forma Adjustments | | |
|--|-----------------------|-----------------------|----------------------------|----------------------|
| | Vectren Historical | Dayton Historical | Acquisition Adjustments | Vectren Pro forma |
| | ----- | ----- | ----- | ----- |
| OPERATING REVENUES: | | | | |
| Gas utility | \$ 391,486 | \$ 167,696 | \$ - | \$ 559,182 |
| Electric utility | 249,215 | - | - | 249,215 |
| Energy services and other | 300,074 | - | - | 300,074 |
| | ----- | ----- | ----- | ----- |
| Total operating revenues | 940,775 | 167,696 | - | 1,108,471 |
| | ----- | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | | |
| Cost of gas sold | 229,373 | 105,628 | - | 335,001 |
| Fuel for electric generation | 51,722 | - | - | 51,722 |
| Purchased electric energy | 25,085 | - | - | 25,085 |
| Cost of energy services and other | 285,856 | - | - | 285,856 |
| Other operating | 142,620 | 17,058 | - | 159,678 |
| Merger costs | 31,306 | - | - | 31,306 |
| Depreciation and amortization | 75,008 | 6,615 | 3,742 (3a) | 85,365 |
| Taxes other than income taxes | 22,170 | 15,408 | - | 37,578 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 863,140 | 144,709 | 3,742 | 1,011,591 |
| | ----- | ----- | ----- | ----- |
| OPERATING INCOME (LOSS) | 77,635 | 22,987 | (3,742) | 96,880 |
| | ----- | ----- | ----- | ----- |
| OTHER INCOME: | | | | |
| Equity in earnings of unconsolidated investments | 16,950 | - | - | 16,950 |
| Other - net | 14,497 | - | - | 14,497 |
| | ----- | ----- | ----- | ----- |
| Total other income | 31,447 | - | - | 31,447 |
| | ----- | ----- | ----- | ----- |
| INTEREST EXPENSE | 37,940 | - | 20,879 (3b) | 58,819 |
| | ----- | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE PREFERRED DIVIDENDS AND INCOME TAXES | 71,142 | 22,987 | (24,621) | 69,508 |
| | ----- | ----- | ----- | ----- |
| PREFERRED DIVIDEND REQUIREMENT OF SUBSIDIARY | 776 | - | - | 776 |

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| | | | | |
|--|-----------|-----------|--------------|-----------|
| INCOME (LOSS) BEFORE INCOME TAXES | 70,366 | 22,987 | (24,621) | 68,732 |
| INCOME TAXES (BENEFIT) | 23,527 | 7,832 | (8,617) (3c) | 22,742 |
| INCOME (LOSS) BEFORE MINORITY INTEREST | 46,839 | 15,155 | (16,004) | 45,990 |
| MINORITY INTEREST IN SUBSIDIARY | 983 | - | - | 983 |
| NET INCOME (LOSS) | \$ 45,856 | \$ 15,155 | \$ (16,004) | \$ 45,007 |
| AVERAGE COMMON SHARES OUTSTANDING | 61,257 | 61,257 | 61,257 | 61,257 |
| DILUTED COMMON SHARES OUTSTANDING | 61,332 | 61,332 | 61,332 | 61,332 |
| BASIC EARNINGS PER AVERAGE SHARE OF COMMON STOCK | \$.75 | \$.25 | \$ (.26) | \$.73 |
| DILUTED EARNINGS PER SHARE OF COMMON STOCK | \$.75 | \$.25 | \$ (.26) | \$.73 |

The accompanying notes are an integral part of these pro forma combined financial statements.

5

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

Vectren Corporation (Vectren) is a public utility holding company whose wholly-owned subsidiary, Vectren Utility Holdings, Inc. (VUHI), is the holding company of Vectren's two operating public utilities, Indiana Gas Company, Inc. (Indiana Gas), and Southern Indiana Gas and Electric Company. On October 31, 2000, Vectren completed its acquisition of the natural gas distribution assets of The Dayton Power and Light Company (Acquisition) for approximately \$465 million pursuant to an Asset Purchase Agreement dated December 14, 1999. Vectren acquired the gas utility as a tenancy in common through two separate wholly-owned subsidiaries. Operations will be conducted under the name Vectren Energy Delivery of Ohio (VEDO). Under the acquisition structure, Indiana Gas holds a 47 percent undivided ownership interest and VEDO has a 53 percent undivided ownership interest.

The accompanying combined pro forma financial statements give effect to the Acquisition. The unaudited pro forma combined balance sheet as of September 30, 2000 is presented as if the Acquisition and the related debt financing had occurred on September 30, 2000. The pro forma combined statement of income for the nine month period ended September 30, 2000 and for the year ended December 31, 1999 are presented as if the Dayton Acquisition had occurred at January 1, 1999.

2. Pro Forma Adjustments to Balance Sheet

(a) Determination of total purchase price:

| | |
|---|------------|
| Cash purchase price | \$ 463,981 |
| Liability assumed for customer deposits | 7,881 |

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| | |
|----------------------|------------|
| Transaction costs | 5,818 |
| | ----- |
| Total purchase price | \$ 477,680 |
| | ===== |

(b) Allocation of purchase price:

| | |
|------------------------------|------------|
| Cash purchase price | \$ 463,981 |
| Transaction costs | 5,818 |
| | ----- |
| | 469,799 |
| | ===== |
| Tangible assets acquired | 278,080 |
| Liabilities assumed | (7,881) |
| | ----- |
| Net assets acquired | 270,199 |
| | ----- |
| Excess allocated to goodwill | \$ 199,600 |
| | ===== |

The above reflects Management's preliminary purchase price allocation based upon information currently available. The purchase price is subject to adjustment based upon finalization of the closing balance sheet in accordance with the Asset Purchase Agreement. Management believes that any such adjustment will not be material.

(c) Pro forma adjustment to reclassify deferred transaction costs incurred as of September 30, 2000 of \$3,336 to goodwill and to reflect the cash payment at closing of \$2,482 for the remaining transaction costs.

(d) A \$435 million commercial paper program established by VUHI provided \$434,360 of the initial Acquisition financing. Additionally, Indiana Gas provided \$29,621 from its commercial paper program for total financing of \$463,981. On December 28, 2000, VUHI issued a \$150 million Floating Rate Note due December 27, 2001, replacing an equal amount of commercial paper. Management anticipates that the short-term financings will be replaced over time with permanent, long-term financing.

| | Short- term borrowings | Annualized Interest |
|-----------------------------------|---------------------------|------------------------|
| | ----- | ----- |
| Commercial paper (VUHI) | \$284,360 | \$ 16,189 |
| 6.6425% Floating rate note (VUHI) | 150,000 | 9,964 |
| Commercial paper (Indiana Gas) | 29,621 | 1,686 |
| | ----- | ----- |
| | \$463,981 | \$ 27,839 |
| | ===== | ===== |

3. Pro Forma Adjustments to Income Statements

(a) Pro forma adjustment to reflect the amortization of goodwill of \$199,600 amortized over a period of 40 years.

(b) Pro forma adjustment to reflect the interest expense from the Acquisition financing based upon borrowings of \$463,981 at an average interest rate of approximately 6.0 percent annum based upon Indiana Gas' and VUHI's composite average short-term borrowing rate at the date of the Acquisition (see 2d).

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- (c) Pro forma adjustment to reflect the income tax benefit on a combined federal and state statutory rate of 35 percent.

- (d) Vectren and Dayton Power and Light Company (DP&L) entered into an agreement whereby DP&L will provide transitional support to Vectren in the areas of meter reading, billing, cash receipts, collections, customer deposits, telecommunication services and other miscellaneous services for a predetermined fee. Because these fees will be no greater than the historical costs incurred by DP&L for such support services for its natural gas distribution operations, no pro forma adjustment has been reflected.