

MIRANT CORP
Form 10-Q
December 22, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2003

or

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

For the Transition Period from _____ to _____

Mirant Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
Incorporation or Organization)*

**1155 Perimeter Center West, Suite 100,
Atlanta, Georgia**

(Address of Principal Executive Offices)

001-16107

(Commission File Number)

(678) 579-5000

*(Registrant's Telephone Number,
Including Area Code)*

58-2056305

*(I.R.S. Employer
Identification No.)*

30338

(Zip Code)

www.mirant.com

(Web Page)

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, at December 10, 2003 was 405,468,084.

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DEFINITIONS

Term	Meaning
Brazos	Brazos Electric Power Cooperative
LIBOR	London InterBank Offered Rate
MMBtu	Million British thermal unit
MW	Megawatts
MWh	Megawatt-hour
Mirant Americas Energy Marketing	Mirant Americas Energy Marketing, L.P.
Mirant Americas Generation	Mirant Americas Generation, LLC
Mirant Mid-Atlantic	Mirant Mid-Atlantic, LLC
Mirant New York	Mirant New York, Inc.
Perryville	Perryville Energy Partners, LLC

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The information presented in this Form 10-Q includes forward-looking statements in addition to historical information. These statements involve known and unknown risks and relate to future events, our future financial performance or our projected business results. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "targets," "potential" or "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements are only predictions. Actual events or results may differ materially from any forward-looking statement as a result of various factors, which include:

General Factors

legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry; changes in state, federal and other regulations (including rate and other regulations); changes in, or application of, environmental and other laws and regulations to which we and our subsidiaries and affiliates are subject;

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the failure of our assets to perform as expected;

our pursuit of potential business strategies, including the disposition of assets, termination of construction of certain projects or internal restructuring;

changes in market conditions, including developments in energy and commodity supply, demand, volume and pricing or the extent and timing of the entry of additional competition in the markets of our subsidiaries and affiliates;

weather and other natural phenomena;

war, terrorist activities or the occurrence of a catastrophic loss;

deterioration in the financial condition of our counterparties and the resulting failure to pay amounts owed to us or perform obligations or services due to us; and

the disposition of the pending litigation described in this Form 10-Q as well as the Company's Form 10-K for the year ended December 31, 2002 and Forms 10-Q for the quarterly periods ended March 31, 2003 and June 30, 2003;

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Bankruptcy-Related Factors

the actions and decisions of creditors of Mirant and of other third parties with interests in the voluntary petitions for reorganization filed on July 14, 2003, July 15, 2003, August 18, 2003, October 3, 2003 and November 18, 2003, by Mirant Corporation and substantially all of its wholly-owned and certain non-wholly-owned U.S. subsidiaries under Chapter 11 of the Bankruptcy Code;

the effects of the Chapter 11 filings on our liquidity and results of operations;

the instructions, orders and decisions of the bankruptcy court and other effects of legal and administrative proceedings, settlements, investigations and claims;

the ability of Mirant to operate pursuant to the terms of the debtor-in-possession financing agreement; and

the ability of Mirant to obtain and maintain normal terms with vendors and service providers and to maintain contracts that are critical to our operations.

The ultimate results of the forward looking statements and the terms of any reorganization plan ultimately confirmed can affect the value of our various pre-petition liabilities, common stock and/or other securities. No assurance can be given as to what values, if any, will be ascribed in the bankruptcy proceedings to each of these constituencies. A plan of reorganization could result in holders of the liabilities and/or securities of the Company, Mirant Americas Generation and Mirant Mid-Atlantic receiving no value for their interests. Because of such possibilities, the value of these liabilities and/or securities is highly speculative. Accordingly, we urge that caution be exercised with respect to existing and future investments in any of these liabilities and/or securities.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. We expressly disclaim a duty to update any of the forward-looking statements.

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MIRANT CORPORATION AND SUBSIDIARIES
(Debtor-in-Possession)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002 (Restated)	2003	2002 (Restated)
(In millions, except per share data)				
Operating Revenues:				
Generation	\$ 1,477	\$ 1,247	\$ 3,928	\$ 2,937
Integrated utilities and distribution	134	128	390	362
Net trading revenue (loss)		(5)	39	147
Total operating revenues	1,611	1,370	4,357	3,446
Cost of fuel, electricity and other products	1,004	726	2,767	1,674
Gross Margin	607	644	1,590	1,772
Operating Expenses:				
Operations and maintenance	264	316	882	900
Depreciation and amortization	90	73	266	216
Impairment losses and restructuring (credits) charges	(2)	167	2,086	1,063
Gain on sales of assets, net	(23)	(4)	(49)	(32)
Total operating expenses	329	552	3,185	2,147
Operating Income (Loss)	278	92	(1,595)	(375)
Other (Expense) Income, net:				
Interest expense	(54)	(129)	(349)	(347)
Interest rate hedging losses	(94)	(2)	(110)	(7)
(Loss) gain on sales of investments, net		(3)		238
Equity in income of affiliates	8	24	23	148
Other, net	(8)	(6)	24	23
Minority interest	(15)	(20)	(43)	(56)
Interest income	5	18	22	32
Total other (expense) income, net	(158)	(118)	(433)	31
Income (Loss) From Continuing Operations Before Reorganization Items and Income Taxes	120	(26)	(2,028)	(344)
Reorganization Items, net	182		182	
Provision (Benefit) for Income Taxes	(27)	(18)	5	(139)
Loss From Continuing Operations	(35)	(8)	(2,215)	(205)
Income (Loss) from Discontinued Operations, net of tax (benefit) provision of \$0 and \$(23) for the three months ended	2	(33)	(20)	(28)

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	Three Months Ended September 30,		Nine Months Ended September 30,	
September 30, 2003 and 2002 and \$(1) and \$(18) for the nine months ended September 30, 2003 and 2002, respectively				
Loss Before Cumulative Effect of Changes in Accounting Principles	(33)	(41)	(2,235)	(233)
Cumulative Effect of Changes in Accounting Principles, net of taxes of \$2 for the nine months ended September 30, 2003			(28)	
Net Loss	\$ (33)	\$ (41)	\$ (2,263)	\$ (233)
Loss Per Share:				
Basic:				
From continuing operations	\$ (0.08)	\$ (0.02)	\$ (5.47)	\$ (0.51)
From discontinued operations		(0.08)	(0.05)	(0.07)
From cumulative effect of change in accounting principle			(0.07)	
Net loss	\$ (0.08)	\$ (0.10)	\$ (5.59)	\$ (0.58)
Diluted:				
From continuing operations	\$ (0.08)	\$ (0.02)	\$ (5.47)	\$ (0.51)
From discontinued operations		(0.08)	(0.05)	(0.07)
From cumulative effect of change in accounting principle			(0.07)	
Net loss	\$ (0.08)	\$ (0.10)	\$ (5.59)	\$ (0.58)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**MIRANT CORPORATION AND SUBSIDIARIES
(Debtor-in-Possession)
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2003	December 31, 2002
	(Unaudited)	
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,582	\$ 1,706
Funds on deposit	47	180
Receivables, less provision for uncollectibles of \$234 and \$191 for 2003 and 2002, respectively	1,956	2,099
Price risk management assets	63	1,536
Assets held for sale		438
Other	586	561

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	September 30, 2003	December 31, 2002
Total current assets	4,234	6,520
Property, Plant and Equipment, net	8,164	8,408
Noncurrent Assets:		
Goodwill, net of accumulated amortization of \$300 for 2003 and 2002, respectively	608	2,683
Other intangible assets, net of accumulated amortization of \$72 and \$67 for 2003 and 2002, respectively	516	535
Investments	205	296
Notes and other receivables, less provision for uncollectibles of \$231 and \$104 for 2003 and 2002, respectively	7	140
Price risk management assets	154	582
Other	270	259
Total noncurrent assets	1,760	4,495
Total assets	\$ 14,158	\$ 19,423

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities Not Subject to Compromise

Current Liabilities:

Short-term debt	\$ 28	\$ 65
Current portion of long-term debt	201	1,731
Accounts payable and accrued liabilities	1,124	2,359
Price risk management liabilities	66	1,535
Transition power agreements and other obligations	475	567
Other	50	388
Total current liabilities	1,944	6,645

Noncurrent Liabilities:

Long-term debt	1,337	7,091
Company obligated mandatorily redeemable securities of a subsidiary holding solely parent parent company debentures		345
Price risk management liabilities	142	1,196
Transition power agreements and other obligations	129	335
Other	466	551
Total noncurrent liabilities	2,074	9,518

Liabilities Subject to Compromise

Minority Interest in Subsidiary Companies	271	305
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Commitments and Contingencies

Stockholders' Equity:

Common stock, \$.01 par value, per share	4	4
Authorized 2,000,000,000 shares		
Issued September 30, 2003: 405,568,084 shares December 31, 2002: 404,018,156 shares		
Treasury September 30, 2003: 100,000 shares December 31, 2002: 100,000 shares		
Additional paid-in capital	4,918	4,899
Accumulated deficit	(4,107)	(1,844)
Accumulated other comprehensive loss	(48)	(102)

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	September 30, 2003	December 31, 2002
Treasury stock, at cost	(2)	(2)
Total stockholders' equity	765	2,955
Total liabilities and stockholders' equity	\$ 14,158	\$ 19,423

The accompanying notes are an integral part of these condensed consolidated statements.

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MIRANT CORPORATION AND SUBSIDIARIES
(Debtor-in-Possession)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive (Loss)
	(in millions)					
Balance, December 31, 2002	\$ 4	\$ 4,899	\$ (1,844)	\$ (102)	\$ (2)	
Net loss			(2,263)			\$ (2,263)
Other comprehensive income				54		54
Comprehensive loss						\$ (2,209)
Other		19				
Balance, September 30, 2003	\$ 4	\$ 4,918	\$ (4,107)	\$ (48)	\$ (2)	

The accompanying notes are an integral part of these condensed consolidated statements.

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MIRANT CORPORATION AND SUBSIDIARIES
(Debtor-in-Possession)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2003	2002
	(Restated)	
	(in millions)	
Cash Flows from Operating Activities:		
Net loss	\$ (2,263)	\$ (233)

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Nine Months Ended
September 30,

	<u> </u>	
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity in income of affiliates	(23)	(148)
Dividends received from equity investments	16	29
Cumulative effect of change in accounting principle	28	
Impairment losses and restructuring charge	2,071	1,074
Gain on sales of assets and investments	(27)	(270)
Depreciation and amortization	274	255
Non-cash charges for reorganization items	162	
Amortization of transition power agreements and other obligations (non-cash revenue)	(356)	(325)
Price risk management activities, net	206	(168)
Deferred income taxes	(27)	(58)
Minority interest	27	40
Interest rate hedging losses	110	7
Other, net	54	63
Changes in operating assets and liabilities:		
Receivables, net	119	754
Other current assets	122	76
Other assets	(37)	(85)
Accounts payable and accrued liabilities	(358)	(265)
Taxes accrued	(56)	(39)
Other liabilities	(21)	(2)
	<u> </u>	<u> </u>
Total adjustments	2,284	938
	<u> </u>	<u> </u>
Net cash provided by operating activities	21	705
	<u> </u>	<u> </u>
Cash Flows from Investing Activities:		
Capital expenditures	(444)	(1,107)
Cash paid for acquisitions	(61)	(93)
Issuance of notes receivable	(27)	(329)
Repayments on notes receivable	98	142
Proceeds from the sale of assets	297	238
Proceeds from the sale of minority owned investments		1,987
Other	4	(12)
	<u> </u>	<u> </u>
Net cash (used in) provided by investing activities	(133)	826
	<u> </u>	<u> </u>
Cash Flows from Financing Activities:		