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Otter Tail Corp
Form 10-Q
August 09, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period June 30, 2011
ended

OR

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

For the transition period to
from

Commission file 0-53713
number

OTTER TAIL CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

27-0383995
(I.R.S. Employer
Identification No.)

215 South Cascade Street, Box 496, Fergus Falls, Minnesota
(Address of principal executive offices)

56538-0496
(Zip Code)

866-410-8780
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ X

Accelerated filer ☐ __

Non-accelerated filer ☐ __

Smaller reporting company ☐ __

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). YES ☐ __ NO ☒ X

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

July 31, 2011 – 36,061,873 Common Shares (\$5 par value)

OTTER TAIL CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands)	June 30, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$--	\$--
Accounts Receivable:		
Trade—Net	148,252	124,353
Other	14,554	19,399
Inventories	86,235	79,270
Deferred Income Taxes	12,096	11,068
Accrued Utility and Cost-of-Energy Revenues	11,818	16,323
Costs and Estimated Earnings in Excess of Billings	71,688	67,352
Income Taxes Receivable	--	4,146
Other	21,017	20,224
Assets of Discontinued Operations	2,537	93,783
Total Current Assets	368,197	435,918
Investments	12,872	9,708
Other Assets	28,581	27,356
Goodwill	69,742	69,742
Other Intangibles—Net	15,932	16,280
Deferred Debits		
Unamortized Debt Expense	6,267	6,444
Regulatory Assets	114,514	127,766
Total Deferred Debits	120,781	134,210
Plant		
Electric Plant in Service	1,336,640	1,332,974
Nonelectric Operations	365,642	340,167
Construction Work in Progress	56,330	42,031
Total Gross Plant	1,758,612	1,715,172
Less Accumulated Depreciation and Amortization	666,570	637,831
Net Plant	1,092,042	1,077,341
Total Assets	\$1,708,147	\$1,770,555

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands, except share data)	June 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
Current Liabilities		
Short-Term Debt	\$ 30,362	\$ 79,490
Current Maturities of Long-Term Debt	3,340	604
Accounts Payable	121,020	113,761
Accrued Salaries and Wages	20,247	20,252
Accrued Federal and State Income Taxes	504	--
Other Accrued Taxes	8,392	11,957
Derivative Liabilities	18,683	17,991
Other Accrued Liabilities	8,464	9,546
Liabilities of Discontinued Operations	2,537	23,176
Total Current Liabilities	213,549	276,777
Pensions Benefit Liability	75,470	73,538
Other Postretirement Benefits Liability	43,187	42,372
Other Noncurrent Liabilities	20,526	21,043
Commitments (note 9)		
Deferred Credits		
Deferred Income Taxes	173,561	162,208
Deferred Tax Credits	34,125	44,945
Regulatory Liabilities	68,275	66,416
Other	488	556
Total Deferred Credits	276,449	274,125
Capitalization		
Long-Term Debt, Net of Current Maturities	433,715	434,812
Class B Stock Options of Subsidiary	--	525
Cumulative Preferred Shares		
Authorized 1,500,000 Shares Without Par Value;		
Outstanding 2011 and 2010 – 155,000 Shares	15,500	15,500
Cumulative Preference Shares – Authorized 1,000,000 Shares Without Par Value;		
Outstanding - None	--	--
Common Shares, Par Value \$5 Per Share—Authorized, 50,000,000 Shares;		

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Outstanding, 2011—36,061,173 Shares; 2010—36,002,739 Shares	180,306	180,014
Premium on Common Shares	251,530	251,919
Retained Earnings	200,839	198,443
Accumulated Other Comprehensive (Loss) Income	(2,924)	1,487
Total Common Equity	629,751	631,863
Total Capitalization	1,078,966	1,082,700
Total Liabilities and Equity	\$1,708,147	\$1,770,555

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Statements of Income
(not audited)

(in thousands, except share and per-share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Operating Revenues				
Electric	\$77,977	\$77,476	\$169,502	\$168,857
Nonelectric	238,998	173,838	428,831	325,406
Total Operating Revenues	316,975	251,314	598,333	494,263
Operating Expenses				
Production Fuel - Electric	17,080	16,492	36,657	37,401
Purchased Power - Electric System Use	7,894	10,420	20,271	22,476
Electric Operation and Maintenance Expenses	28,687	29,253	57,395	57,719
Cost of Goods Sold - Nonelectric (excludes depreciation; included below)	193,830	137,012	349,539	254,496
Other Nonelectric Expenses	32,765	32,463	60,307	61,229
Asset Impairment Charge	--	19,740	--	19,740
Depreciation and Amortization	19,725	18,655	38,811	37,229
Property Taxes - Electric	2,417	2,477	4,826	4,951
Total Operating Expenses	302,398	266,512	567,806	495,241
Operating Income (Loss)	14,577	(15,198)	30,527	(978)
Other Income	1,107	552	1,828	565
Interest Charges	9,149	9,398	18,638	18,420
Income (Loss) Before Income Taxes – Continuing Operations	6,535	(24,044)	13,717	(18,833)
Income Tax Expense (Benefit) – Continuing Operations	537	(7,769)	2,085	(6,018)
Net Income (Loss) from Continuing Operations	5,998	(16,275)	11,632	(12,815)
Discontinued Operations				
Income (Loss) from Discontinued Operations net of income tax expense				
(benefit) of \$(342), \$1,227, \$(364), and \$1,856 for the respective periods	(422)	2,057	(360)	3,314
Gain on Disposition of Discontinued Operations net of income taxes				
of \$3,515 for the three and six months ended June 30, 2011	13,252	--	13,252	--
Net Income from Discontinued Operations	12,830	2,057	12,892	3,314
Total Net Income (Loss)	18,828	(14,218)	24,524	(9,501)
Preferred Dividend Requirement and Other Adjustments	506	279	690	463
Earnings Available for Common Shares	\$18,322	\$(14,497)	\$23,834	\$(9,964)
Average Number of Common Shares Outstanding—Basic	35,926,124	35,799,231	35,901,489	35,759,901
Average Number of Common Shares Outstanding—Diluted	36,163,805	35,799,231	36,139,170	35,759,901

Basic Earnings Per Common Share:

Continuing Operations (net of preferred dividend requirement)	\$0.16	\$(0.46) \$0.31	\$(0.37)
Discontinued Operations (net of other adjustments)	0.35	0.06	0.35	0.09	
	\$0.51	\$(0.40) \$0.66	\$(0.28)

Diluted Earnings Per Common Share:

Continuing Operations (net of preferred dividend requirement)	\$0.16	\$(0.46) \$0.31	\$(0.37)
Discontinued Operations (net of other adjustments)	0.35	0.06	0.35	0.09	
	\$0.51	\$(0.40) \$0.66	\$(0.28)

Dividends Per Common Share \$0.2975 \$0.2975 \$0.5950 \$0.5950

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Statements of Cash Flows
(not audited)

	Six Months Ended June 30,	
(in thousands)	2011	2010
Cash Flows from Operating Activities		
Net Income (Loss)	\$24,524	\$(9,501)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Gain from Sale of Discontinued Operations	(13,252)	--
Net Loss (Income) from Discontinued Operations	360	(3,314)
Depreciation and Amortization	38,811	37,229
Asset Impairment Charge	--	19,740
Deferred Tax Credits	(1,281)	(1,358)
Deferred Income Taxes	5,611	7,547
Change in Deferred Debits and Other Assets	7,648	(858)
Change in Noncurrent Liabilities and Deferred Credits	1,230	4,471
Allowance for Equity (Other) Funds Used During Construction	(292)	--
Change in Derivatives Net of Regulatory Deferral	45	(409)
Stock Compensation Expense – Equity Awards	921	1,320
Other—Net	(243)	(389)
Cash (Used for) Provided by Current Assets and Current Liabilities:		
Change in Receivables	(18,936)	(20,998)
Change in Inventories	(6,966)	(4,083)
Change in Other Current Assets	(2,594)	(15,874)
Change in Payables and Other Current Liabilities	4,727	(276)
Change in Interest Payable and Income Taxes Receivable/Payable	377	36,594
Net Cash Provided by Continuing Operations	40,690	49,841
Net Cash Provided by (Used in) Discontinued Operations	47	(422)
Net Cash Provided by Operating Activities	40,737	49,419
Cash Flows from Investing Activities		
Capital Expenditures	(48,111)	(38,605)
Proceeds from Disposal of Noncurrent Assets	2,229	1,999
Net Decrease (Increase) in Other Investments	837	(808)
Net Cash Used in Investing Activities - Continuing Operations	(45,045)	(37,414)
Net Proceeds from Sale of Discontinued Operations	84,363	--
Net Cash Used in Investing Activities - Discontinued Operations	(6,065)	(960)
Net Cash Provided by (Used in) Investing Activities	33,253	(38,374)
Cash Flows from Financing Activities		
Change in Checks Written in Excess of Cash	(5,937)	4,987
Net Short-Term Borrowings	(49,128)	60,002
Proceeds from Issuance of Common Stock	--	549
Proceeds from Issuance of Class B Stock of Subsidiary	--	153
Common Stock Issuance Expenses	--	(142)
Payments for Retirement of Common Stock	(152)	(401)
Payments for Retirement of Class B Stock of Subsidiary	--	(994)
Proceeds from Issuance of Long-Term Debt	2,007	95
Short-Term and Long-Term Debt Issuance Expenses	(688)	(1,598)
Payments for Retirement of Long-Term Debt	(368)	(58,693)

Dividends Paid and Other Distributions	(21,952)
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