

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

OTTER TAIL POWER CO

CIK: **75129** | IRS No.: **410462685** | State of Incorporation: **MN** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-00368** | Film No.: **95536295**
SIC: **4911** Electric services

Business Address
215 S CASCADE ST
PO BOX 496
FERGUS FALLS MN
56538-0496
2187398200

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 ended March 31, 1995

OR

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

For the transition period from to

Commission file number 0-368

OTTER TAIL POWER COMPANY

(Exact name of registrant as specified in its charter)

Minnesota 41-0462685
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

215 South Cascade Street, Box 496, Fergus Falls, Minnesota 56538-0496
(Address of principal executive offices) (Zip Code)

218-739-8200

(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 X NO

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

May 1, 1995 - 11,180,136 Common Shares (\$5 par value)

OTTER TAIL POWER COMPANY

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Part I. Financial Information

Item 1. Financial Statements

OTTER TAIL POWER COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<TABLE>

-ASSETS-

	March 31, 1995	December 31, 1994
	(Thousands of Dollars)	
PLANT:		
<S>	<C>	<C>
Electric Plant in Service	\$700,998	\$698,437
Other	42,702	36,221
	743,700	734,658
Less Accumulated Depreciation and Amortization	293,365	287,902
	450,335	446,756
Construction Work in Progress	12,487	10,485
	462,822	457,241
INVESTMENTS AND OTHER ASSETS:	47,692	43,944
CURRENT ASSETS:		

Total Capitalization	387,663	377,675
	<hr/>	<hr/>
CURRENT LIABILITIES:		
Short-Term Debt	950	2,900
Sinking Fund Requirements and Current Maturities	13,195	8,739
Accounts Payable	20,273	22,542
Federal and State Income Taxes Accrued	5,841	2,095
Other Taxes Accrued	12,454	11,712
Interest Accrued	1,855	3,524
Other	5,003	6,369
	<hr/>	<hr/>
Total Current Liabilities	59,571	57,881
	<hr/>	<hr/>
NONCURRENT LIABILITIES:	9,883	8,245
	<hr/>	<hr/>
DEFERRED CREDITS:		
Accumulated Deferred Income Taxes	96,531	94,911
Accumulated Deferred Investment Tax Credit	21,878	22,171
Regulatory Liability	15,052	15,197
Other	3,220	2,892
	<hr/>	<hr/>
Total Deferred Credits	136,681	135,171
	<hr/>	<hr/>
TOTAL	\$593,798	\$578,972
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Consolidated Financial Statements

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OTTER TAIL POWER COMPANY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<TABLE>

	Three Months Ended March 31	
	1995	1994
	(Thousands of Dollars)	
OPERATING REVENUES		
<S>	<C>	<C>
Electric	\$55,726	\$54,889
Health Services	15,108	10,920
Manufacturing	7,810	2,393
Diversified Operations	5,319	5,234
	<hr/>	<hr/>
Total Operating Revenues	83,963	73,436
OPERATING EXPENSES		
Production Fuel	9,212	8,658
Purchased Power	7,780	6,713
Electric Operation Expenses	12,307	11,703
Electric Maintenance	2,954	3,037
Cost of Goods Sold	17,560	11,627
Other Nonelectric Expenses	7,451	5,382
Depreciation and Amortization	5,421	5,233
Property Taxes	3,056	2,982
Income Taxes	5,624	5,754

Total Operating Expenses	71,365	61,089
OPERATING INCOME	12,598	12,347
Allowance For Equity (Other) Funds Used During Construction	2	31
Other Income and Deductions and Applicable Taxes	(201)	312
INCOME BEFORE INTEREST CHARGES	12,399	12,690
Interest Charges	3,734	3,348
Allowance For Borrowed Funds Used During Construction - Credit	(42)	(14)
NET INCOME	8,707	9,356
Preferred Dividend Requirements	589	590
EARNINGS AVAILABLE FOR COMMON SHARES	\$8,118	\$8,766
Earnings Per Average Common Share	\$0.73	\$0.78
Average Number of Common Shares Outstanding	11,180,136	11,180,136
Dividends Per Common Share	\$0.44	\$0.43

See Accompanying Notes to Consolidated Financial Statements

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</TABLE>

OTTER TAIL POWER COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>

	Three Months Ended March 31,	
	1995	1994
	(Thousands of Dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net Income	\$8,707	\$9,356
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,020	6,427
Deferred Investment Tax Credit - Net	(294)	(308)
Deferred Income Taxes	232	928
Change in Deferred Debits and Other Assets	1,850	395
Change in Noncurrent Liabilities and Deferred Credits	1,966	376
Allowance for Equity (Other) Funds Used During Construction	(2)	(31)

Loss on Disposal of Noncurrent Assets	713	20
Cash Provided by (Used for) Current Assets & Current Liabilities:		
Change in Receivables, Materials and Supplies	(1,605)	(3,360)
Change in Other Current Assets	57	496
Change in Payables and Other Current Liabilities	(2,835)	1,086
Change in Interest and Income Taxes Payable	1,988	3,442
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	17,797	18,827
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross Capital Expenditures	(8,058)	(6,573)
Proceeds from Disposal of Noncurrent Assets	1,560	494
Purchase of Subsidiaries, Net of Cash Acquired	(1,634)	(286)
Change in Temporary Cash Investments	35	18
Change in Marketable Securities and Other Investments	(2,401)	(381)
	<hr/>	<hr/>
Net Cash Used in Investing Activities	(10,498)	(6,728)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Short-Term Debt - Net Issuances	(1,950)	--
Proceeds from Issuance of Long-Term Debt	4,570	390
Payments for Retirement of Long-Term Debt	(3,895)	(3,082)
Payments for Debt Issuance Expenses	--	(56)
Dividends Paid	(5,509)	(5,397)
	<hr/>	<hr/>
Net Cash Used in Financing Activities	(6,784)	(8,145)
Net Change in Cash and Cash Equivalents	515	3,954
Cash and Cash Equivalents at Beginning of Year	1,852	3,808
	<hr/>	<hr/>
Cash and Cash Equivalents at March 31	\$2,367	\$7,762
	=====	=====
Supplemental Cash Flow Information		
Cash Paid for Interest and Income Taxes:		
Interest	\$5,169	\$4,816
Income Taxes	\$1,182	\$552

See Accompanying Notes to Consolidated Financial Statements

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OTTER TAIL POWER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Company, in its opinion, has included all adjustments (including normal recurring accruals) necessary for a fair presentation of the results of operations for the periods. The financial statements for 1995 are subject to adjustment at the end of the year when they will be audited by independent accountants. The financial statements and notes thereto should be read in conjunction with the financial statements and notes for the years ended December 31, 1994, 1993, and 1992 included in the Company's 1994 Annual Report to the Securities and Exchange Commission on Form 10-K.

In January 1995 the Company acquired an additional manufacturing business and three small diagnostic imaging companies. The total revenues of these companies were \$17,122,000 in 1994. These acquisitions were accounted for under the purchase method of accounting.

The breakdown of Cost of Goods Sold and Other Nonelectric Expenses by business segments are as follows:

	3 Months Ended			
	Cost of Goods Sold 1995	Cost of Goods Sold 1994	Other Nonelectric 1995	Expenses 1994
	(in thousands)			
Health Services	\$9,279	\$6,824	\$4,287	\$3,224
Manufacturing	6,225	1,786	1,010	255
Diversified Operations	2,056	3,017	2,154	1,903
	-----	-----	-----	-----
Total	\$17,560	\$11,627	\$7,451	\$5,382

Because of seasonal and other factors, the earnings for the three-month period ended March 31, 1995, should not be taken as an indication of earnings for all or any part of the balance of the year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Material Changes in Financial Position

Cash provided by operating activities of \$17,797,000 as shown on the Consolidated Statement of Cash Flows for the three months ended March 31, 1995, combined with funds on hand of \$2,243,000 at December 31, 1994, allowed the Company to finance its construction program, pay dividends, invest in additional nonutility businesses, and in passive investments. At March 31, 1995, the Company had \$17,474,000 in marketable securities included in Investments and Other Assets which could be used to supplement cash needs.

The Company estimates that funds internally generated, combined with funds on hand, will be sufficient to meet all sinking fund payments for First Mortgage Bonds in the next five year and to provide for most of its 1995-1999 construction program expenditures (including allowance for funds used during construction). Additional short- or long-term financing will be required in the period 1995-1999 in connection with the maturity of First Mortgage Bonds and a Long-Term Lease Obligation (\$21,000,000), in the event the Company decides to refund or retire early any of its presently outstanding debt or cumulative preferred shares, complete its common stock repurchase program or for other corporate purposes.

The bulk of the increases in Plant - Other, Accounts Receivable - Trade, Inventory, Materials and Operating Supplies, Long-Term Debt, and Sinking Fund Requirements and Current Maturities are due to the acquisitions of an additional manufacturing company and three small diagnostic imaging companies. In addition, Investments and Other Assets also increased because of further passive investments. Inventory, Materials and Operating Supplies also increased due to timing of purchases of the health services companies and increases in steel inventory in the manufacturing companies as result of a longer lead-times. Accounts Payable decreased due to the seasonal decline at the electric utility.

The increase in Construction Work in Progress is due to new electric construction principally in transmission, distribution, and general plant. The increase in Federal and State Income Taxes Accrued was due to the timing of tax payments. The reduction in Interest Accrued was caused by the timing of interest payments.

Material Changes in Results of Operations

The 1.5% increase in Electric Operating Revenues for the quarter ended March 31, 1995, as compared to the quarter ended March 31, 1994, was due to a 70% increase in noncontractual power pool sales offset by a 2.7% decrease in retail sales. Noncontractual power pool sales increased because the Company had more energy to market due to warmer weather and greater plant availability in 1995. Retail sales decreased mainly because of the warmer weather in 1995.

The increase in Production Fuel for the three months ended March 31, 1995, as compared to the same period a year ago, was chiefly because of a 7.5% increase in generation which resulted from greater plant availability in 1995. The increase in Purchased Power for the quarter ended March 31, 1995, as compared to the quarter ended March 31, 1994, was due to a 91% increase in kwh purchased for resale which correlates to the increase in power pool sales. The increase in Electric Operation Expenses for the three months ended March 31, 1995, as compared to the same interval a year ago, was chiefly due to a settlement with the Minnesota Public Utilities Commission. The settlement required recovery of Conservation Improvement Program costs in current rates starting in 1995.

The increase in Health Services Operating Revenues for the quarter ended March 31, 1995, as compared to the same period a year ago, resulted principally from the acquisition of three additional mobile imaging companies and the sale of three scanners. The increase in Cost of Health Services Sold and Other Health Services Expenses resulted primarily from the increase in sales.

The increase in Manufacturing Operating Revenues for the three months ended March 31, 1995, as compared to the quarter ended March 31, 1994, resulted chiefly from an acquisition of a new company, as well as continued expansion of existing product lines. The increase in Manufacturing Cost of Goods Sold and Other Manufacturing Expenses resulted predominately from the increase in sales.

The decrease in Other Income and Deductions and Applicable Taxes for the quarter ended March 31, 1995, as compared to the quarter ended March 31, 1994, primarily resulted from the timing of net investment earnings realized in the Company's marketable securities.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits:

27 Financial Data Schedule

b) Report on Form 8-K.

No reports on Form 8-K were filed during the fiscal quarter ended March 31, 1995.

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.

OTTER TAIL POWER COMPANY

By: /s/ Andrew E. Anderson

Andrew E. Anderson
Vice President, Finance /Chief Accounting Officer
Authorized Officer

Dated: May 10, 1995

<TABLE> <S> <C>

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This schedule contains summary financial information extracted from the consolidated balance sheet as of March 31, 1995, and the Consolidated Statement of Income for the three months ended March 31, 1995, and is qualified in its entirety by reference to such financial statements.

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