

EL PASO ELECTRIC CO /TX/
Form 10-Q
November 06, 2007
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UNITED STATES
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 September 30, 2007

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 0-296

El Paso Electric Company

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of

incorporation or organization)

Stanton Tower, 100 North Stanton, El Paso, Texas
(Address of principal executive offices)

(915) 543-5711

74-0607870
(I.R.S. Employer

Identification No.)

79901
(Zip Code)

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(Registrant's telephone number, including area code)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of October 31, 2007, there were 45,137,431 shares of the Company's no par value common stock outstanding.

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EL PASO ELECTRIC COMPANY AND SUBSIDIARY

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(i)

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****EL PASO ELECTRIC COMPANY AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

| ASSETS | September 30, | December 31, |
|---|----------------------|---------------------|
| (In thousands) | 2007 | 2006 |
| | (Unaudited) | |
| Utility plant: | | |
| Electric plant in service | \$ 2,031,898 | \$ 1,958,787 |
| Less accumulated depreciation and amortization | (845,492) | (799,579) |
| Net plant in service | 1,186,406 | 1,159,208 |
| Construction work in progress | 165,557 | 134,470 |
| Nuclear fuel; includes fuel in process of \$46,431 and \$8,632, respectively | 112,505 | 66,261 |
| Less accumulated amortization | (34,076) | (27,745) |
| Net nuclear fuel | 78,429 | 38,516 |
| Net utility plant | 1,430,392 | 1,332,194 |
| Current assets: | | |
| Cash and temporary investments | 34,937 | 40,101 |
| Accounts receivable, principally trade, net of allowance for doubtful accounts of \$2,925 and \$2,999, respectively | 104,926 | 86,730 |
| Accumulated deferred income taxes | 15,189 | 6,109 |
| Inventories, at cost | 34,015 | 31,390 |
| Undercollection of fuel revenues | 22,745 | 32,582 |
| Income taxes receivables | | 9,620 |
| Prepayments and other | 12,626 | 7,264 |
| Total current assets | 224,438 | 213,796 |
| Deferred charges and other assets: | | |
| Decommissioning trust funds | 129,125 | 114,716 |
| Regulatory assets | 37,267 | 35,013 |
| Other | 18,858 | 18,935 |
| Total deferred charges and other assets | 185,250 | 168,664 |
| Total assets | \$ 1,840,080 | \$ 1,714,654 |

See accompanying notes to consolidated financial statements.

Table of Contents**EL PASO ELECTRIC COMPANY AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS (Continued)**

| CAPITALIZATION AND LIABILITIES | September 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|------------------------------|
| (In thousands except for share data) | | |
| Capitalization: | | |
| Common stock, stated value \$1 per share, 100,000,000 shares authorized, 64,377,088 and 63,909,974 shares issued, and 129,420 and 110,854 restricted shares, respectively | \$ 64,506 | \$ 64,021 |
| Capital in excess of stated value | 289,726 | 283,356 |
| Retained earnings | 551,754 | 489,082 |
| Accumulated other comprehensive loss, net of tax | (12,860) | (18,316) |
| | 893,126 | 818,143 |
| Treasury stock, 19,370,266 and 18,025,928 shares, at cost | (269,915) | (238,468) |
| Common stock equity | 623,211 | 579,675 |
| Long-term debt, net of current portion | 590,886 | 590,865 |
| Financing obligations, net of current portion | 68,189 | 25,265 |
| Total capitalization | 1,282,286 | 1,195,805 |
| Current liabilities: | | |
| Current portion of long-term debt and financing obligations | 18,534 | 20,975 |
| Accounts payable, principally trade | 48,012 | 42,892 |
| Taxes accrued | 30,015 | 19,323 |
| Interest accrued | 10,129 | 4,390 |
| Other | 25,323 | 23,478 |
| Total current liabilities | 132,013 | 111,058 |
| Deferred credits and other liabilities: | | |
| Accumulated deferred income taxes | 162,998 | 149,981 |
| Accrued postretirement benefit liability | 89,806 | 85,435 |
| Asset retirement obligation | 78,256 | 73,267 |
| Accrued pension liability | 48,907 | 56,260 |
| Regulatory liabilities | 14,947 | 15,079 |
| Other | 30,867 | 27,769 |
| Total deferred credits and other liabilities | 425,781 | 407,791 |
| Commitments and contingencies | | |
| Total capitalization and liabilities | \$ 1,840,080 | \$ 1,714,654 |

See accompanying notes to consolidated financial statements.

Table of Contents**EL PASO ELECTRIC COMPANY AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands except for share data)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Operating revenues | \$ 258,525 | \$ 228,949 | \$ 666,233 | \$ 623,174 |
| Energy expenses: | | | | |
| Fuel | 78,312 | 62,618 | 192,559 | 160,988 |
| Purchased and interchanged power | 29,183 | 25,503 | 91,181 | 91,127 |
| | 107,495 | 88,121 | 283,740 | 252,115 |
| Operating revenues net of energy expenses | 151,030 | 140,828 | 382,493 | 371,059 |
| Other operating expenses: | | | | |
| Other operations | 47,184 | 48,263 | 140,363 | 137,975 |
| Maintenance | 11,452 | 9,764 | 40,118 | 46,748 |
| Depreciation and amortization | 17,420 | 16,879 | 51,554 | 50,957 |
| Taxes other than income taxes | 13,984 | 14,867 | 38,108 | 39,785 |
| | 90,040 | 89,773 | 270,143 | 275,465 |
| Operating income | 60,990 | 51,055 | 112,350 | 95,594 |
| Other income (deductions): | | | | |
| Allowance for equity funds used during construction | 1,513 | 201 | 3,701 | 592 |
| Investment and interest income, net | 2,711 | 1,443 | 6,584 | 3,576 |
| Miscellaneous non-operating income | 643 | 8 | 1,050 | 145 |
| Miscellaneous non-operating deductions | (886) | (979) | (3,211) | (3,026) |
| | 3,981 | 673 | 8,124 | 1,287 |
| Interest charges (credits): | | | | |
| Interest on long-term debt and financing obligations | 9,257 | 8,896 | 27,291 | 26,450 |
| Other interest | 229 | 964 | 577 | 1,009 |
| Capitalized interest | (832) | (902) | (2,160) | (2,463) |
| Allowance for borrowed funds used during construction | (781) | (96) | (1,915) | (296) |
| | 7,873 | 8,862 | 23,793 | 24,700 |
| Income before income taxes | 57,098 | 42,866 | 96,681 | 72,181 |
| Income tax expense | 21,010 | 15,790 | 35,875 | 20,552 |
| Net income | \$ 36,088 | \$ 27,076 | \$ 60,806 | \$ 51,629 |

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| | | | | |
|--|------------|------------|------------|------------|
| Basic earnings per share | \$ 0.79 | \$ 0.57 | \$ 1.33 | \$ 1.07 |
| Diluted earnings per share | \$ 0.79 | \$ 0.56 | \$ 1.32 | \$ 1.06 |
| Weighted average number of shares outstanding | 45,618,130 | 47,843,730 | 45,749,823 | 48,085,238 |
| Weighted average number of shares and dilutive potential shares outstanding | 45,935,293 | 48,380,845 | 46,118,571 | 48,569,697 |

See accompanying notes to consolidated financial statements.

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EL PASO ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands except for share data)