

BLACK HILLS CORP /SD/
Form 10-Q
November 05, 2013

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, 2013

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 001-31303

Black Hills Corporation
Incorporated in South Dakota
625 Ninth Street
Rapid City, South Dakota 57701

IRS Identification Number 46-0458824

Registrant's telephone number (605) 721-1700

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

NONE

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class

Outstanding at October 31, 2013

Common stock, \$1.00 par value

44,485,101

shares

TABLE OF CONTENTS

| | Page |
|--|------------------|
| Glossary of Terms and Abbreviations | <u>3</u> |
| PART I. FINANCIAL INFORMATION | <u>6</u> |
| Item 1. Financial Statements | <u>6</u> |
| Condensed Consolidated Statements of Income (Loss) - unaudited Three and Nine Months Ended Sept. 30, 2013 and 2012 | <u>6</u> |
| Condensed Consolidated Statements of Comprehensive Income (Loss)- unaudited Three and Nine Months Ended Sept. 30, 2013 and 2012 | <u>7</u> |
| Condensed Consolidated Balance Sheets - unaudited Sept. 30, 2013, Dec. 31, 2012 and Sept. 30, 2012 | <u>8</u> |
| Condensed Consolidated Statements of Cash Flows - unaudited Nine Months Ended Sept. 30, 2013 and 2012 | <u>10</u> |
| Notes to Condensed Consolidated Financial Statements - unaudited | <u>11</u> |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | <u>48</u> |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk | <u>84</u> |
| Item 4. Controls and Procedures | <u>86</u> |
| PART II. OTHER INFORMATION | <u>87</u> |
| Item 1. Legal Proceedings | <u>87</u> |
| Item 1A. Risk Factors | <u>87</u> |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | <u>88</u> |
| Item 4. Mine Safety Disclosures | <u>88</u> |
| Item 5. Other Information | <u>89</u> |
| Item 6. Exhibits | <u>92</u> |
| Signatures | <u>94</u> |
| Index to Exhibits | <u>95</u> |

GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms and abbreviations appear in the text of this report and have the definitions described below:

| | |
|------------------------------------|--|
| AFUDC | Allowance for Funds Used During Construction |
| AOCI | Accumulated Other Comprehensive Income (Loss) |
| ASU | Accounting Standards Update |
| Basin Electric | Basin Electric Power Cooperative |
| Bbl | Barrel |
| BHC | Black Hills Corporation; the Company |
| BHEP | Black Hills Exploration and Production, Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, and Black Hills Gas Resources, Inc. and Black Hills Plateau Production, LLC, direct wholly-owned subsidiaries of Black Hills Exploration and Production, Inc. |
| Black Hills Electric Generation | Black Hills Electric Generation, LLC, representing our Power Generation segment, a direct wholly-owned subsidiary of Black Hills Non-regulated Holdings |
| Black Hills Energy | The name used to conduct the business of Black Hills Utility Holdings, Inc., and its subsidiaries |
| Black Hills Non-regulated Holdings | Black Hills Non-regulated Holdings, LLC, a direct, wholly-owned subsidiary of Black Hills Corporation |
| Black Hills Power | Black Hills Power, Inc., a direct, wholly-owned subsidiary of Black Hills Corporation |
| Black Hills Utility Holdings | Black Hills Utility Holdings, Inc., a direct, wholly-owned subsidiary of Black Hills Corporation |
| Black Hills Wyoming | Black Hills Wyoming, LLC, a direct, wholly-owned subsidiary of Black Hills Electric Generation |
| Cheyenne Light | Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of Black Hills Corporation |
| Cheyenne Prairie | Cheyenne Prairie Generating Station, a 132 megawatt generating facility, currently being constructed in Cheyenne, Wyo. by Cheyenne Light and Black Hills Power. |
| Colorado Electric | Black Hills Colorado Electric Utility Company, LP (doing business as Black Hills Energy), an indirect, wholly-owned subsidiary of Black Hills Utility Holdings |
| Colorado IPP | Black Hills Colorado IPP, LLC a direct wholly-owned subsidiary of Black Hills Electric Generation |
| Cooling degree day | A cooling degree day is equivalent to each degree that the average of the high and low temperature for a day is above 65 degrees. The warmer the climate, the greater the number of cooling degree days. Cooling degree days are used in the utility industry to measure the relative warmth of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on the National Weather Service data for selected locations over a 30-year average. |
| Conflict Minerals | As defined by Dodd-Frank, conflict minerals are cassiterite, columbite-tantalite, gold and wolframite that are mined in the Democratic Republic of the Congo or surrounding countries |
| CPCN | Certificate of Public Convenience and Necessity |
| CPUC | Colorado Public Utilities Commission |

| | |
|-----------------------------------|---|
| CTII | The 40 megawatt Gillette CT, a simple-cycle, gas-fired combustion turbine owned by Black Hills Wyoming |
| CVA | Credit Valuation Adjustment, an adjustment to the measurement of derivatives to reflect the default risk of the counterparty. |
| De-designated interest rate swaps | The \$250 million notional amount interest rate swaps that were originally designated as cash flow hedges under accounting for derivatives and hedges but were subsequently de-designated |
| Dodd-Frank | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| Dth | Dekatherm. A unit of energy equal to 10 therms or one million British thermal units (MMBtu) |
| Enserco | Enserco Energy Inc., representing our Energy Marketing segment, sold Feb. 29, 2012 |
| FASB | Financial Accounting Standards Board |
| FERC | United States Federal Energy Regulatory Commission |
| Fitch | Fitch Ratings |
| GAAP | Accounting principles generally accepted in the United States of America |
| Heating Degree Day | A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The colder the climate, the greater the number of heating degree days. Heating degree days are used in the utility industry to measure the relative coldness of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on the National Weather Service data for selected locations over a 30-year average. |
| Iowa Gas | Black Hills Iowa Gas Utility Company, LLC (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings |
| IPP | Independent power producer |
| IRS | United States Internal Revenue Service |
| IUB | Iowa Utilities Board |
| Kansas Gas | Black Hills Kansas Gas Utility Company, LLC (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings |
| LIBOR | London Interbank Offered Rate |
| LOE | Lease Operating Expense |
| Mcf | Thousand cubic feet of natural gas |
| Mcfe | Thousand cubic feet equivalent. Natural gas liquid is converted by dividing gallons by 7. Crude oil is converted by multiplying barrels by 6. |
| MMBtu | Million British thermal units |
| Moody's | Moody's Investors Service, Inc. |
| MWh | Megawatt-hour |

| | |
|---------------------------|--|
| NGL | Natural Gas Liquids. One gallon equals 1/7 Mcfe |
| NOL | Net Operating Loss |
| OTC | Over-the-counter |
| PPA | Power Purchase Agreement |
| PSCo | Public Service Company of Colorado |
| Revolving Credit Facility | Our \$500 million credit facility which matures in 2017 |
| SDPUC | South Dakota Public Utilities Commission |
| SEC | U. S. Securities and Exchange Commission |
| S&P | Standard and Poor's, a division of The McGraw-Hill Companies, Inc. |
| WPSC | Wyoming Public Service Commission |

BLACK HILLS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

| (unaudited) | Three Months Ended | | Nine Months Ended Sept. | |
|---|--|-----------|-------------------------|-----------|
| | Sept. 30, | 2012 | 30, | 2012 |
| | 2013 | 2012 | 2013 | 2012 |
| | (in thousands, except per share and per share amounts) | | | |
| Revenue | \$259,907 | \$246,808 | \$920,404 | \$855,022 |
| Operating expenses: | | | | |
| Utilities - | | | | |
| Fuel, purchased power and cost of gas sold | 71,503 | 62,582 | 338,848 | 283,217 |
| Operations and maintenance | 66,061 | 59,398 | 196,728 | 183,721 |
| Non-regulated energy operations and maintenance | 20,484 | 22,466 | 62,703 | 65,774 |
| Gain on sale of operating assets | — | (27,285 |)— | (27,285 |
| Depreciation, depletion and amortization | 36,135 | 41,408 | 106,068 | 121,398 |
| Taxes - property, production and severance | 10,068 | 10,213 | 30,517 | 31,201 |
| Impairment of long-lived assets | — | — | — | 26,868 |
| Other operating expenses | 90 | 216 | 1,091 | 1,679 |
| Total operating expenses | 204,341 | 168,998 | 735,955 | 686,573 |
| Operating income | 55,566 | 77,810 | 184,449 | 168,449 |
| Other income (expense): | | | | |
| Interest charges - | | | | |
| Interest expense incurred (including amortization of debt issuance costs, premiums and discounts and realized settlements on interest rate swaps) | (23,840 |)(27,475 |)(70,881 |)(85,151 |
| Allowance for funds used during construction - borrowed | 347 | 1,127 | 831 | 2,608 |
| Capitalized interest | 273 | 175 | 811 | 467 |
| Unrealized gain (loss) on interest rate swaps, net | 3,144 | 605 | 29,393 | (2,902 |
| Interest income | 565 | 364 | 1,325 | 1,428 |
| Allowance for funds used during construction - equity | 85 | 196 | 327 | 668 |
| Other income (expense), net | 318 | (287 |)1,197 | 2,073 |
| Total other income (expense), net | (19,108 |)(25,295 |)(36,997 |)(80,809 |
| Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes | 36,458 | 52,515 | 147,452 | 87,640 |
| Equity in earnings (loss) of unconsolidated subsidiaries | — | 22 | (86 |)(12 |
| Income tax benefit (expense) | (13,334 |)(17,914 |)(50,527 |)(30,057 |
| Income (loss) from continuing operations | 23,124 | 34,623 | 96,839 | 57,571 |
| Income (loss) from discontinued operations, net of tax | — | (166 |)— | (6,810 |
| Net income (loss) available for common stock | \$23,124 | \$34,457 | \$96,839 | \$50,761 |
| Earnings (loss) per share, Basic - | | | | |
| Income (loss) from continuing operations, per share | \$0.52 | \$0.79 | \$2.19 | \$1.31 |

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| | | | | | |
|---|---------|---------|---------|---------|---|
| Income (loss) from discontinued operations, per share | — | — | — | (0.16) |) |
| Total income (loss) per share, Basic | \$0.52 | \$0.79 | \$2.19 | \$1.15 | |
| Earnings (loss) per share, Diluted - | | | | | |
| Income (loss) from continuing operations, per share | \$0.52 | \$0.78 | \$2.18 | \$1.31 | |
| Income (loss) from discontinued operations, per share | — | — | — | (0.16) |) |
| Total income (loss) per share, Diluted | \$0.52 | \$0.78 | \$2.18 | \$1.15 | |
| Weighted average common shares outstanding: | | | | | |
| Basic | 44,201 | 43,847 | 44,143 | 43,792 | |
| Diluted | 44,457 | 44,108 | 44,395 | 44,026 | |
| Dividends paid per share of common stock | \$0.380 | \$0.370 | \$1.140 | \$1.110 | |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (unaudited) | Three Months Ended Sept. 30, 2013 2012 | | Nine Months Ended Sept. 30, 2013 2012 | |
|---|---|----------|--|----------|
| | (in thousands) | | | |
| Net income (loss) available for common stock | \$23,124 | \$34,457 | \$96,839 | \$50,761 |
| Other comprehensive income (loss), net of tax: | | | | |
| Fair value adjustment on derivatives designated as cash flow hedges (net of tax (expense) benefit of \$964 and \$1,204 for the three months ended 2013 and 2012 and \$(93) and \$1,092 for the nine months ended 2013 and 2012, respectively) | (2,083) |)(3,591 |) 134 | (3,004) |
| Reclassification adjustments related to defined benefit plan (net of tax of \$(220) for the three months ended 2013 and \$(663) for the nine months ended 2013) | 417 | — | 1,238 | — |
| Reclassification adjustments for cash flow hedges settled and included in net income (loss) (net of tax (expense) benefit of \$(586) and \$13 for the three months ended 2013 and 2012 and \$(1,469) and \$890 for the nine months ended 2013 and 2012, respectively) | 1,426 | 28 | 3,095 | (1,333) |
| Other comprehensive income (loss), net of tax | (240 |)(3,563 |)4,467 | (4,337) |
| Comprehensive income (loss) available for common stock | \$22,884 | \$30,894 | \$101,306 | \$46,424 |

See Note 7 for additional disclosures.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

BLACK HILLS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (unaudited)

| | As of Sept. 30, 2013 (in thousands) | Dec. 31, 2012 | Sept. 30, 2012 |
|--|---|--------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$13,637 | \$15,462 | \$247,192 |
| Restricted cash and equivalents | 6,782 | 7,916 | 7,302 |
| Accounts receivable, net | 114,137 | 163,698 | 104,482 |
| Materials, supplies and fuel | 95,230 | 77,643 | 80,900 |
| Derivative assets, current | 126 | 3,236 | 16,063 |
| Income tax receivable, net | 4,539 | — | 11,869 |
| Deferred income tax assets, net, current | 37,163 | 77,231 | 33,681 |
| Regulatory assets, current | 30,208 | 31,125 | 24,606 |
| Other current assets | 27,075 | 28,795 | 44,823 |
| Total current assets | 328,897 | 405,106 | 570,918 |
| Investments | 16,612 | 16,402 | 16,273 |
| Property, plant and equipment | 4,152,097 | 3,930,772 | 3,950,222 |
| Less: accumulated depreciation and depletion | (1,258,450) | (1,188,023) | (1,253,808) |
| Total property, plant and equipment, net | 2,893,647 | 2,742,749 | 2,696,414 |
| Other assets: | | | |
| Goodwill | 353,396 | 353,396 | 353,396 |
| Intangible assets, net | 3,453 | 3,620 | 3,675 |
| Derivative assets, non-current | — | 510 | 1,167 |
| Regulatory assets, non-current | 183,119 | 188,268 | 191,935 |
| Other assets, non-current | 22,116 | 19,420 | 19,850 |
| Total other assets, non-current | 562,084 | 565,214 | 570,023 |
| TOTAL ASSETS | \$3,801,240 | \$3,729,471 | \$3,853,628 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Continued)

(unaudited)

As of
Sept. 30, 2013 Dec. 31, 2012 Sept. 30, 2012
(in thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | | |
|--------------------------------------|----------|----------|----------|
| Accounts payable | \$77,077 | \$84,422 | \$69,138 |
| Accrued liabilities | 152,911 | 154,389 | 179,284 |
| Derivative liabilities, current | 65,944 | 96,541 | 86,509 |
| Accrued income tax, net | — | 4,936 | — |
| Regulatory liabilities, current | 14,707 | 13,628 | 10,705 |
| Notes payable | 138,300 | 277,000 | 225,000 |
| Current maturities of long-term debt | 255,694 | 103,973 | 328,310 |
| Total current liabilities | 704,633 | 734,889 | 898,946 |

| | | | |
|---|---------|---------|---------|
| Long-term debt, net of current maturities | 955,979 | 938,877 | 942,950 |
|---|---------|---------|---------|

Deferred credits and other liabilities:

| | | | |
|---|---------|---------|---------|
| Deferred income tax liabilities, net, non-current | 403,772 | 385,908 | 338,194 |
| Derivative liabilities, non-current | 11,388 | 16,941 | 41,410 |
| Regulatory liabilities, non-current | 131,730 | 127,656 | 120,491 |
| Benefit plan liabilities | 169,448 | 167,397 | 167,690 |
| Other deferred credits and other liabilities | 133,341 | 125,294 | 129,630 |
| Total deferred credits and other liabilities | 849,679 | 823,196 | 797,415 |

Commitments and contingencies (See Notes 5, 8, 10 and 13)

Stockholders' equity:

Common stock equity —

| | | | |
|---|-----------|-----------|-----------|
| Common stock \$1 par value; 100,000,000 shares authorized; issued 44,532,245; 44,278,189; and 44,250,588 shares, respectively | 44,532 | 44,278 | 44,251 |
| Additional paid-in capital | 740,209 | 733,095 | 731,176 |
| Retained earnings | 539,030 | 492,869 | 478,459 |
| Treasury stock, at cost – 47,127; 71,782; and 75,420 shares, respectively | (1,801 |) (2,245 |) (2,354 |
| Accumulated other comprehensive income (loss) | (31,021 |) (35,488 |) (37,215 |
| Total stockholders' equity | 1,290,949 | 1,232,509 | 1,214,317 |

| | | | |
|--|-------------|-------------|-------------|
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$3,801,240 | \$3,729,471 | \$3,853,628 |
|--|-------------|-------------|-------------|

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

| | Nine Months Ended Sept. | |
|---|-------------------------|------------|
| | 30, | |
| | 2013 | 2012 |
| | (in thousands) | |
| Operating activities: | | |
| Net income (loss) available to common stock | \$96,839 | \$50,761 |
| (Income) loss from discontinued operations, net of tax | — | 6,810 |
| Income (loss) from continuing operations | 96,839 | 57,571 |
| Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 106,068 | 121,398 |
| Deferred financing cost amortization | 3,209 | 5,301 |
| Impairment of long-lived assets | — | 26,868 |
| Derivative fair value adjustments | 275 | (3,522) |
| Gain on sale of operating assets | — | (27,285) |
| Stock compensation | 9,100 | 5,974 |
| Unrealized (gain) loss on interest rate swaps, net | (29,393) |)2,902 |
| Deferred income taxes | 54,865 | 28,718 |
| Employee benefit plans | 16,644 | 15,737 |
| Other adjustments, net | 9,434 | 2,837 |
| Changes in certain operating assets and liabilities: | | |
| Materials, supplies and fuel | (12,522) |)3,085 |
| Accounts receivable, unbilled revenues and other operating assets | 28,762 | 56,301 |
| Accounts payable and other current liabilities | (23,774) |)(22,041) |
| Contributions to defined benefit pension plans | (12,500) |)(25,000) |
| Other operating activities, net | 4,759 | (361) |
| Net cash provided by operating activities of continuing operations | 251,766 | 248,483 |
| Net cash provided by (used in) operating activities of discontinued operations | — | 21,184 |
| Net cash provided by operating activities | 251,766 | 269,667 |
| Investing activities: | | |
| Property, plant and equipment additions | (239,485) |)(261,414) |
| Proceeds from sale of assets | — | 268,482 |
| Investment in notes receivable | — | (21,832) |
| Other investing activities | 2,846 | 5,057 |
| Net cash provided by (used in) investing activities of continuing operations | (236,639) |)(9,707) |
| Proceeds from sale of discontinued business operations | — | 108,837 |
| Net cash provided by (used in) investing activities of discontinued operations | — | (824) |
| Net cash provided by (used in) investing activities | (236,639) |)98,306 |
| Financing activities: | | |
| Dividends paid on common stock | (50,678) |)(48,904) |
| Common stock issued | 3,606 | 3,835 |
| Short-term borrowings - issuances | 269,600 | 62,453 |
| Short-term borrowings - repayments | (408,300) |)(182,453) |
| Long-term debt - issuances | 275,000 | — |
| Long-term debt - repayments | (106,180) |)(11,647) |
| Other financing activities | — | (2,833) |

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| | | | |
|--|----------|-----------|---|
| Net cash provided by (used in) financing activities of continuing operations | (16,952 |)(179,549 |) |
| Net cash provided by (used in) financing activities of discontinued operations | — | — | |
| Net cash provided by (used in) financing activities | (16,952 |)(179,549 |) |
| Net change in cash and cash equivalents | (1,825 |)188,424 | |
| Cash and cash equivalents, beginning of period | 15,462 | 58,768 | * |
| Cash and cash equivalents, end of period | \$13,637 | \$247,192 | |

*Includes cash of discontinued operations of \$37.1 million at Dec. 31, 2011.

See Note 2 for supplemental disclosure of cash flow information.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

BLACK HILLS CORPORATION

Notes to Condensed Consolidated Financial Statements
(unaudited)

(Reference is made to Notes to Consolidated Financial Statements
included in the Company's 2012 Annual Report on Form 10-K)

(1) MANAGEMENT'S STATEMENT

The unaudited Condensed Consolidated Financial Statements included herein have been prepared by Black Hills Corporation (together with our subsidiaries the "Company," "us," "we," or "our"), pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, we believe that the footnotes adequately disclose the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our 2012 Annual Report on Form 10-K filed with the SEC.

We conduct our operations through the following reportable segments: Electric Utilities, Gas Utilities, Power Generation, Coal Mining and Oil and Gas. Our reportable segments are based on our method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. All of our operations and assets are located within the United States.

Accounting methods historically employed require certain estimates as of interim dates. The information furnished in the accompanying Condensed Consolidated Financial Statements reflects all adjustments, including accruals, which are, in the opinion of management, necessary for a fair presentation of the Sept. 30, 2013, Dec. 31, 2012, and Sept. 30, 2012 financial information and are of a normal recurring nature. Certain industries in which we operate are highly seasonal, and revenue from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Demand for electricity and natural gas is sensitive to seasonal cooling, heating and industrial load requirements, as well as changes in market price. In particular, the normal peak usage season for electric utilities is June through August while the normal peak usage season for gas utilities is November through March. Significant earnings variances can be expected between the Gas Utilities segment's peak and off-peak seasons. Due to this seasonal nature, our results of operations for the three and nine months ended Sept. 30, 2013 and Sept. 30, 2012, and our financial condition as of Sept. 30, 2013, Dec. 31, 2012, and Sept. 30, 2012, are not necessarily indicative of the results of operations and financial condition to be expected as of or for any other period. All earnings per share amounts discussed refer to diluted earnings per share unless otherwise noted.

On Feb. 29, 2012, we sold our Energy Marketing segment, which resulted in this segment being classified as discontinued operations.

Recently Adopted Accounting Standards

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, ASU 2013-02

In February 2013, the FASB issued ASU 2013-02 which requires new disclosures for items reclassified out of AOCI. ASU 2013-02 requires disclosure of (1) changes in components of other comprehensive income, (2) items reclassified out of AOCI and into net income in their entirety, the effect of the reclassification on each affected net income line item and (3) cross references to other disclosures that provide additional detail for components of other comprehensive income that are not reclassified in their entirety to net income. Disclosures are required either on the face of the statements of income or as a separate disclosure in the notes to the financial statements. The new disclosure requirements are effective for interim and annual periods beginning after Dec. 15, 2012. The adoption of this standard did not have an impact on our financial position, results of operations or cash flows. See additional disclosures in Note 7.

Balance Sheet: Disclosure about Offsetting Assets and Liabilities, ASU 2011-11

In December 2011, the FASB issued revised accounting guidance to amend disclosure requirements for offsetting financial assets and liabilities to enhance current disclosures. The revised disclosure guidance affects all companies that have financial instruments and derivative instruments that are either offset in the balance sheet (i.e., presented on a net basis) or subject to an enforceable master netting and/or similar arrangement. In addition, the revised guidance requires that certain enhanced quantitative and qualitative disclosures are made with respect to a company's netting arrangements and/or rights of offset associated with its financial instruments and/or derivative instruments. The revised disclosure guidance is effective on a retrospective basis for interim and annual periods beginning Jan. 1, 2013. The adoption of this standard did not have an impact on our financial position, results of operations or cash flows. See additional disclosures in Note 11.

Inclusion of the Fed Funds Effective Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes, ASU 2013-10

In July 2013, the FASB issued an amendment to accounting for derivatives and hedges to permit the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes effective for new or re-designated hedging relationships entered into on or after July 17, 2013. The amendment also removed the restriction on using different benchmark rates for similar hedges. The initial adoption had no impact on our consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements and Legislation

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, ASU 2013-11

In July 2013, the FASB issued an amendment to accounting for income taxes which provides guidance on financial statement presentation of an unrecognized tax benefit when an NOL carryforward, a similar tax loss, or a tax credit carryforward exists. The objective in issuing this amendment is to eliminate diversity in practice resulting from a lack of guidance on this topic in current GAAP. Under the amendment, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward except under certain conditions. The amendment is effective for fiscal years beginning after Dec. 15, 2013, and interim periods within those years and should be applied to all unrecognized tax benefits that exist as of the effective date. The adoption of this standard is not expected to have an impact on our financial position, results of operations or cash flows.

Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date, ASU 2013-04

In March 2013, the FASB issued new disclosure requirements for recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements including disclosure of the nature and amount of the obligations. The new disclosure requirements are effective for interim and annual periods beginning after Dec. 15, 2013. The amendment requires enhanced disclosures in the notes to financial statements, but will not have any other impact on our consolidated financial statements.

Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC Final Rule No. 34-67716

In August 2012, under Dodd-Frank, the SEC adopted new requirements for companies that manufacture or contract to manufacture products that contain certain minerals and metals, known as conflict minerals. The final rule requires all issuers that file reports with the SEC and use conflict minerals to report supply chain and sourcing information on an annual basis. These new requirements will require due diligence efforts in 2013, with initial disclosure requirements beginning in May 2014. Based on our preliminary analysis, we do not believe that our products contain conflict minerals as defined by the rule; however, our assessment process to determine whether conflict minerals are necessary to the functionality or production of any of our products is not complete.

Tangible Personal Property, IRS T.D. 9636

In September 2013, the U.S. Treasury issued final regulations addressing the tax consequences associated with the acquisition, production and improvement of tangible property. We continue to evaluate what impact the adoption of the regulations will have on our consolidated financial statements. As of this date, we do not expect the adoption of the regulations to have a material impact on our consolidated financial statements.

(2) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow for the nine months ended are as follows (in thousands):

| | Nine Months Ended | |
|--|-------------------|----------------|
| | Sept. 30, 2013 | Sept. 30, 2012 |
| Non-cash investing and financing activities from continuing operations— | | |
| Property, plant and equipment acquired with accrued liabilities | \$47,214 | \$39,303 |
| Increase (decrease) in capitalized assets associated with asset retirement obligations | \$— | \$3,806 |
| Cash (paid) refunded during the period for continuing operations— | | |
| Interest (net of amounts capitalized) | \$(57,175 |) \$(69,901 |
| Income taxes, net | \$(4,924 |) \$425 |

(3) MATERIALS, SUPPLIES AND FUEL

The following amounts by major classification are included in Materials, supplies and fuel in the accompanying Condensed Consolidated Balance Sheets (in thousands) as of:

| | Sept. 30, 2013 | Dec. 31, 2012 | Sept. 30, 2012 |
|--|----------------|---------------|----------------|
| Materials and supplies | \$50,564 | \$43,397 | \$43,847 |
| Fuel - Electric Utilities | 6,384 | 8,589 | 8,289 |
| Natural gas in storage held for distribution | 38,282 | 25,657 | 28,764 |
| Total materials, supplies and fuel | \$95,230 | \$77,643 | \$80,900 |

(4) ACCOUNTS RECEIVABLE

Following is a summary of Accounts receivable, net included in the accompanying Condensed Consolidated Balance Sheets (in thousands) as of:

| | Accounts Receivable, Trade | Unbilled Revenue | Less Allowance for Accounts Doubtful Accounts Receivable, net | |
|--------------------|-------------------------------|---------------------|--|-------------|
| Sept. 30, 2013 | | | | |
| Electric Utilities | \$49,254 | \$20,153 | \$(648 |) \$68,759 |
| Gas Utilities | 20,693 | 11,877 | (542 |) 32,028 |
| Power Generation | 3 | — | — | 3 |
| Coal Mining | 2,677 | — | — | 2,677 |
| Oil and Gas | 8,463 | — | (19 |) 8,444 |
| Corporate | 2,226 | — | — | 2,226 |
| Total | \$83,316 | \$32,030 | \$(1,209 |) \$114,137 |

| | Accounts Receivable, Trade | Unbilled Revenue | Less Allowance for Accounts Doubtful Accounts Receivable, net | |
|--------------------|-------------------------------|---------------------|--|-------------|
| Dec. 31, 2012 | | | | |
| Electric Utilities | \$54,482 | \$23,843 | \$(527 |) \$77,798 |
| Gas Utilities | 31,495 | 39,962 | (222 |) 71,235 |
| Power Generation | 16 | — | — | 16 |
| Coal Mining | 2,247 | — | — | 2,247 |
| Oil and Gas | 11,622 | — | (19 |) 11,603 |
| Corporate | 799 | — | — | 799 |
| Total | \$100,661 | \$63,805 | \$(768 |) \$163,698 |

| | Accounts Receivable, Trade | Unbilled Revenue | Less Allowance for Accounts Doubtful Accounts Receivable, net | |
|--------------------|-------------------------------|---------------------|--|-------------|
| Sept. 30, 2012 | | | | |
| Electric Utilities | \$46,802 | \$18,441 | \$(603 |) \$64,640 |
| Gas Utilities | 18,198 | 9,480 | (204 |) 27,474 |
| Power Generation | 4 | — | — | 4 |
| Coal Mining | 1,540 | — | — | 1,540 |
| Oil and Gas | 10,272 | — | (105 |) 10,167 |
| Corporate | 657 | — | — | 657 |
| Total | \$77,473 | \$27,921 | \$(912 |) \$104,482 |

(5) NOTES PAYABLE AND LONG-TERM DEBT

We had the following notes payable outstanding in the accompanying Condensed Consolidated Balance Sheets (in thousands) as of:

| | Sept. 30, 2013 | | Dec. 31, 2012 | | Sept. 30, 2012 | |
|---------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Balance Outstanding | Letters of Credit | Balance Outstanding | Letters of Credit | Balance Outstanding | Letters of Credit |
| Revolving Credit Facility | \$ 138,300 | \$ 53,137 | \$ 127,000 | \$ 36,300 | \$ 75,000 | \$ 36,300 |
| Term Loan due June 2013 | — | — | 150,000 | — | 150,000 | — |
| Total | \$ 138,300 | \$ 53,137 | \$ 277,000 | \$ 36,300 | \$ 225,000 | \$ 36,300 |

Replacement of Notes Payable and Long-Term Term Loan

On June 21, 2013, we entered into a new \$275 million term loan expiring on June 19, 2015. The proceeds from this new term loan repaid the \$150 million term loan due on June 24, 2013, the \$100 million corporate term loan due on Sept. 30, 2013, and \$25 million in short-term borrowing under our Revolving Credit Facility. At Sept. 30, 2013, the cost of borrowing under this new term loan was 1.3125 percent (LIBOR plus a margin of 1.125 percent). The covenants of the new term loan are substantially the same as the Revolving Credit Facility.

Debt Covenants

Our Revolving Credit Facility and our new Term Loan require compliance with the following financial covenant at the end of each quarter (dollars in thousands):

| | As of | Covenant Requirement |
|-------------------------|----------------|----------------------|
| | Sept. 30, 2013 | |
| Recourse Leverage Ratio | 52.0 | % Less than 65.0 % |

As of Sept. 30, 2013, we were in compliance with this covenant.

(6) EARNINGS PER SHARE

A reconciliation of share amounts used to compute Earnings (loss) per share in the accompanying Condensed Consolidated Statements of Income (loss) is as follows (in thousands):

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|--|------------------------------|----------|-----------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Income (loss) from continuing operations | \$23,124 | \$34,623 | \$96,839 | \$57,571 |
| Weighted average shares - basic | 44,201 | 43,847 | 44,143 | 43,792 |
| Dilutive effect of: | | | | |
| Restricted stock | 131 | 175 | 137 | 159 |
| Stock options | 13 | 12 | 13 | 14 |
| Other dilutive effects | 112 | 74 | 102 | 61 |
| Weighted average shares - diluted | 44,457 | 44,108 | 44,395 | 44,026 |

The following outstanding securities were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive (in thousands):

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|----------------------|------------------------------|------|-----------------------------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Stock options | — | 77 | 9 | 101 |
| Restricted stock | — | 61 | — | 53 |
| Other stock | — | — | — | 19 |
| Anti-dilutive shares | — | 138 | 9 | 173 |

(7) OTHER COMPREHENSIVE INCOME (LOSS)

The components of the reclassification adjustments, net of tax, included in Other Comprehensive Income (Loss) for the periods were as follows (in thousands):

| | Location on the Condensed Consolidated Statements of Income (Loss) | Amount Reclassified from AOCI | | | |
|---|--|--------------------------------------|----------------|-------------------------------------|----------------|
| | | Three Months Ended Sept. 30, 2013 | Sept. 30, 2012 | Nine Months Ended Sept. 30, 2013 | Sept. 30, 2012 |
| Gains (losses) on cash flow hedges: | | | | | |
| Interest rate swaps | Interest expense | \$1,844 | \$1,853 | \$5,460 | \$5,518 |
| Commodity contracts | Revenue | 168 | (1,838) | (896) | (7,741) |
| | | 2,012 | 15 | 4,564 | (2,223) |
| Income tax | Income tax benefit (expense) | (586) |)13 | (1,469) |)890 |
| Reclassification adjustments related to cash flow hedges, net of tax | | \$1,426 | \$28 | \$3,095 | \$(1,333) |
| Amortization of defined benefit plans: | | | | | |
| Prior service cost | Utilities - Operations and maintenance | \$(31) |)\$— | \$(93) |)\$— |
| | Non-regulated energy operations and maintenance | (32) |)— | (96) |)— |
| Actuarial gain (loss) | Utilities - Operations and maintenance | 425 | — | 1,267 | — |
| | Non-regulated energy operations and maintenance | 275 | — | 823 | — |
| | | 637 | — | 1,901 | — |
| Income tax | Income tax benefit (expense) | (220) |)— | (663) |)— |
| Reclassification adjustments related to defined benefit plans, net of tax | | \$417 | \$— | \$1,238 | \$— |

Balances by classification included within Accumulated other comprehensive income (loss) on the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

| | Derivatives as Cash Flow Hedges | Designated Employee Benefit Plans | Total | |
|---|------------------------------------|--------------------------------------|-------------|---|
| Balance as of Dec. 31, 2011 | \$(13,802 |) \$(19,076 |) \$(32,878 |) |
| Other comprehensive income (loss), net of tax | (166 |)— | (166 |) |
| Balance as of March 31, 2012 | (13,968 |) (19,076 |) (33,044 |) |
| Other comprehensive income (loss), net of tax | (608 |)— | (608 |) |
| Balance as of June 30, 2012 | (14,576 |) (19,076 |) (33,652 |) |
| Other comprehensive income (loss), net of tax | (3,563 |)— | (3,563 |) |
| Ending Balance Sept. 30, 2012 | \$(18,139 |) \$(19,076 |) \$(37,215 |) |
| Balance as of Dec. 31, 2012 | \$(15,713 |) \$(19,775 |) \$(35,488 |) |