

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, 2007 (Unaudited)	December 31, 2006
(In thousands)		
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)