Otter Tail Corp
Form 10-Q
August 09, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010

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 0-53713

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

Minnesota	27-0383995
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

215 South Cascade Street, Box 496, Fergus Falls, Minnesota	56538-0496
(Address of principal executive offices)	(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 x No o

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 x No o

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

Large accelerated filer x Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o 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, 2010 – 35,932,339 Common Shares ($5 par value)

OTTER TAIL CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands)	June 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	$--	$4,432
Accounts Receivable:		
Trade—Net	116,609	95,747
Other	11,308	10,883
Inventories	94,089	86,515
Deferred Income Taxes	11,402	11,457
Accrued Utility and Cost-of-Energy Revenues	10,406	15,840
Costs and Estimated Earnings in Excess of Billings	76,150	61,835
Income Taxes Receivable	10,968	48,049
Other	22,144	15,265
Total Current Assets	353,076	350,023
Investments	9,738	9,889
Other Assets	26,611	26,098
Goodwill	94,306	106,778
Other Intangibles—Net	27,757	33,887
Deferred Debits		
Unamortized Debt Expense and Reacquisition Premiums	10,874	10,676
Regulatory Assets	123,096	118,700
Total Deferred Debits	133,970	129,376
Plant		
Electric Plant in Service	1,314,648	1,313,015
Nonelectric Operations	381,092	362,088
Construction Work in Progress	37,204	23,363
Total Gross Plant	1,732,944	1,698,466
Less Accumulated Depreciation and Amortization	633,163	599,839
Net Plant	1,099,781	1,098,627
Total	$1,745,239	$1,754,678

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands, except share data)	June 30, 2010	December 31, 2009
LIABILITIES AND EQUITY		
Current Liabilities		
Short-Term Debt	$67,587	$7,585
Current Maturities of Long-Term Debt	734	59,053
Accounts Payable	94,710	83,724
Accrued Salaries and Wages	18,821	21,057
Accrued Taxes	8,753	11,304
Derivative Liabilities	18,083	14,681
Other Accrued Liabilities	9,377	9,638
Total Current Liabilities	218,065	207,042
Pensions Benefit Liability	97,430	95,039
Other Postretirement Benefits Liability	38,602	37,712
Other Noncurrent Liabilities	23,726	22,697
Commitments (note 9)		
Deferred Credits		
Deferred Income Taxes	163,019	155,306
Deferred Tax Credits	46,302	47,660
Regulatory Liabilities	65,299	64,274
Other	493	562
Total Deferred Credits	275,113	267,802
Capitalization		
Long-Term Debt, Net of Current Maturities	435,898	436,170
Class B Stock Options of Subsidiary	539	1,220
Cumulative Preferred Shares Authorized 1,500,000 Shares Without Par Value; Outstanding 2010 and 2009 – 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; Outstanding, 2010—35,932,339 Shares; 2009—35,812,280 Shares	179,662	179,061
Premium on Common Shares	249,931	250,398

Retained Earnings	212,036	243,352
Accumulated Other Comprehensive Loss	(1,263)	(1,315)
Total Common Equity	640,366	671,496
Total Capitalization	1,092,303	1,124,386
Total	$1,745,239	$1,754,678

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, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues				
Electric	$76,233	$70,610	$167,247	$159,089
Nonelectric	193,962	176,247	365,134	365,007
Total Operating Revenues	270,195	246,857	532,381	524,096
Operating Expenses				
Production Fuel - Electric	16,492	11,754	37,401	30,413
Purchased Power - Electric System Use	10,420	11,877	22,476	29,250
Electric Operation and Maintenance Expenses	29,084	28,959	57,406	55,889
Cost of Goods Sold - Nonelectric (excludes depreciation; included below)	150,126	135,319	282,038	288,280
Other Nonelectric Expenses	35,116	32,410	65,887	63,044
Asset Impairment Charge	19,740	--	19,740	--
Product Recall and Testing Costs	--	--	--	1,766
Depreciation and Amortization	19,883	18,103	39,634	35,920
Property Taxes - Electric	2,477	2,255	4,951	4,745
Total Operating Expenses	283,338	240,677	529,533	509,307
Operating Income (Loss)	(13,143)	6,180	2,848	14,789
Other Income	1,788	1,351	1,924	2,018
Interest Charges	9,405	6,652	18,435	12,922
Income (Loss) Before Income Taxes	(20,760)	879	(13,663)	3,885
Income Tax Benefit	(6,542)	(1,852)	(4,162)	(3,234)
Net Income (Loss)	(14,218)	2,731	(9,501)	7,119
Preferred Dividend Requirement and Other Adjustments	279	184	463	368
Earnings Available for Common Shares	$(14,497)	$2,547	$(9,964)	$6,751
Average Number of Common Shares Outstanding—Basic	35,799,231	35,388,754	35,759,901	35,356,745
Average Number of Common Shares Outstanding—Diluted	35,799,231	35,643,707	35,759,901	35,610,545
Earnings Per Common Share:				
Basic	$(0.40)	$0.07	$(0.28)	$0.19
Diluted	$(0.40)	$0.07	$(0.28)	$0.19
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)

(in thousands)	Six Months Ended June 30, 2010	2009
Cash Flows from Operating Activities		
Net Income (Loss)	$(9,501)	$7,119
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	39,634	35,920
Asset Impairment Charge	19,740	--
Deferred Tax Credits	(1,358)	(1,075)
Deferred Income Taxes	7,442	9,614
Change in Deferred Debits and Other Assets	(845)	(538)
Change in Noncurrent Liabilities and Deferred Credits	4,471	3,826
Allowance for Equity Funds Used During Construction	--	(1,003)
Change in Derivatives Net of Regulatory Deferral	(313)	(661)
Stock Compensation Expense – Equity Awards	1,320	1,754
Other—Net	(389)	139
Cash (Used for) Provided by Current Assets and Current Liabilities:		
Change in Receivables	(21,307)	33,264
Change in Inventories	(7,771)	10,130
Change in Other Current Assets	(15,761)	18,688
Change in Payables and Other Current Liabilities	(1,798)	(41,161)
Change in Interest Payable and Income Taxes Receivable/Payable	35,855	14,289
Net Cash Provided by Operating Activities	49,419	90,305
Cash Flows from Investing Activities		
Capital Expenditures	(39,565)	(57,930)
Proceeds from Disposal of Noncurrent Assets	1,999	4,551
Net Increase in Other Investments	(808)	(66,671)
Net Cash Used in Investing Activities	(38,374)	(120,050)
Cash Flows from Financing Activities		
Change in Checks Written in Excess of Cash	7,228	--
Net Short-Term Borrowings	60,002	(15,000)
Proceeds from Issuance of Common Stock	549	1,901
Proceeds from Issuance of Class B Stock of Subsidiary	153	--
Common Stock Issuance Expenses	(142)	(17)
Payments for Retirement of Common Stock	(401)	(229)
Payments for Retirement of Class B Stock of Subsidiary	(994)	--
Proceeds from Issuance of Long-Term Debt	95	75,004
Short-Term and Long-Term Debt Issuance Expenses	(1,598)	(3,175)
Payments for Retirement of Long-Term Debt	(58,693)	(5,438)
Dividends Paid and Other Distributions	(21,812)	(21,457)
Net Cash (Used in) Provided by Financing Activities	(15,613)	31,589
Effect of Foreign Exchange Rate Fluctuations on Cash	136	(353)
Net Change in Cash and Cash Equivalents	(4,432)	1,491

Cash and Cash Equivalents at Beginning of Period	4,432	7,565
Cash and Cash Equivalents at End of Period	$--	$9,056

See accompanying notes to consolidated financial statements.

OTTER TAIL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(not audited)

In the opinion of management, Otter Tail Corporation (the Company) has included all adjustments (including normal recurring accruals) necessary for a fair presentation of the consolidated financial statements for the periods presented. The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes as of and for the years ended December 31, 2009, 2008 and 2007 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. Because of seasonal and other factors, the earnings for the three-month and six-month periods ended June 30, 2010 should not be taken as an indication of earnings for all or any part of the balance of the year.

The following notes are numbered to correspond to numbers of the notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

1. Summary of Significant Accounting Policies

Revenue Recognition
Due to the diverse business operations of the Company, revenue recognition depends on the product produced and sold or service performed. The Company recognizes revenue when the earnings process is complete, evidenced by an agreement with the customer, there has been delivery and acceptance, and the price is fixed or determinable. In cases where significant obligations remain after delivery, revenue recognition is deferred until such obligations are fulfilled. Provisions for sales returns and warranty costs are recorded at the time of the sale based on historical information and current trends. In the case of derivative instruments, such as Otter Tail Power Company’s (OTP’s) forward energy contracts, marked-to-market and realized gains and losses are recognized on a net basis in revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815-10-45-9. Gains and losses on forward energy contracts subject to regulatory treatment, if any, are deferred and recognized on a net basis in revenue in the period realized.

For the Company’s operating companies recognizing revenue on certain products when shipped, those operating companies have no further obligation to provide services related to such product. The shipping terms used in these instances are FOB shipping point.

Some of the operating businesses enter into fixed-price construction contracts. Revenues under these contracts are recognized on a percentage-of-completion basis. The Company’s consolidated revenues recorded under the percentage-of-completion method were 25.6% for the three months ended June 30, 2010 compared with 25.7% for the three months ended June 30, 2009 and 24.8% for the six months ended June 30, 2010 compared with 27.6% for the six months ended June 30, 2009. The method used to determine the progress of completion is based on the ratio of labor hours incurred to total estimated labor hours at the Company’s wind tower manufacturer and costs incurred to total estimated costs on all other construction projects. If a loss is indicated at any point in time during a contract, a projected loss for the entire contract is estimated and recognized.

The following table summarizes costs incurred and billings and estimated earnings recognized on uncompleted contracts:

(in thousands)	June 30, 2010	December 31, 2009
Costs Incurred on Uncompleted Contracts	$385,163	$400,577

Less Billings to Date	(354,729)	(400,711)
Plus Estimated Earnings Recognized	41,915	59,202
	$72,349	$59,068

6

The following amounts are included in the Company's consolidated balance sheets. Billings in excess of costs and estimated earnings on uncompleted contracts are included in Accounts Payable:

(in thousands)	June 30, 2010	December 31, 2009
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	$76,150	$61,835
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	(3,801)	(2,767)
	$72,349	$59,068

Costs and Estimated Earnings in Excess of Billings at DMI Industries, Inc. (DMI), the Company's wind tower manufacturer, were $66,597,000 as of June 30, 2010 and $54,977,000 as of December 31, 2009. This amount is related to costs incurred on wind towers in the process of completion on major contracts under which the customer is not billed until towers are completed and ready for shipment.

Retainage

Accounts Receivable include amounts billed by the Company's subsidiaries under contracts that have been retained by customers pending project completion of $9,239,000 on June 30, 2010 and $9,215,000 on December 31, 2009.

Sales of Receivables

DMI is a party to a $40 million receivables purchase agreement whereby designated customer accounts receivable may be sold to General Electric Capital Corporation on a revolving basis. The agreement expires in March 2011. Accounts receivable sold totaled $29,300,000 in the first six months of 2010 compared with $64,800,000 in the first six months of 2009. Discounts, fees and commissions charged to operating expenses for the three month periods ended June 30, 2010 and 2009 were $75,000 and $92,000, respectively. Discounts, fees and commissions charged to operating expenses for the six month periods ended June 30, 2010 and 2009 were $107,000 and $267,000, respectively. In compliance with guidance under ASC 860-20, Sales of Financial Assets, sales of accounts receivable are reflected as a reduction of accounts receivable in the consolidated balance sheets and the proceeds are included in the cash flows from operating activities in the consolidated statements of cash flows.

Marketing and Sales Incentive Costs

ShoreMaster, Inc. (ShoreMaster), the Company's waterfront equipment business, provides dealer floor plan financing assistance for certain dealer purchases of ShoreMaster products for certain set time periods based on the timing and size of a dealer's order. ShoreMaster recognizes the estimated cost of projected interest payments related to each financed sale as a liability and a reduction of revenue, at the time of sale, based on historical experience of the average length of time floor plan debt is outstanding, in accordance with guidance under ASC 605-50, Customer Payments and Incentives. The liability is reduced when interest is paid. To the extent current experience differs from previous estimates the accrued liability for financing assistance costs is adjusted accordingly. Financing assistance costs charged to revenue for the three month periods ended June 30, 2010 and 2009 were $24,000 and $88,000, respectively. Financing assistance costs charged to revenue for the six month periods ended June 30, 2010 and 2009 were $84,000 and $233,000, respectively.

Supplemental Disclosures of Cash Flow Information

	Six Months Ended June 30,	
(in thousands)	2010	2009
Increases in Accounts Payable Related to Capital Expenditures	$745	$330

Fair Value Measurements

The Company applies authoritative accounting guidance under ASC 820, Fair Value Measurements and Disclosures, which provides a single definition of fair value and requires enhanced disclosures about assets and liabilities measured at fair value. ASC 820-10-35 establishes a hierarchal framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value. The three levels defined by the hierarchy and examples of each level follow:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed by the New York Stock Exchange and commodity derivative contracts listed on the New York Mercantile Exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities.

Level 3 – Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation and may include complex and subjective models and forecasts.

The following table presents, for each of these hierarchy levels, the Company’s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009:

June 30, 2010 (in thousands)		Level 1		Level 2	Level 3
Assets:					
Investments for Nonqualified Retirement Savings Retirement Plan:					
Money Market and Mutual Funds and Cash	$	1,442	$	--	
Forward Energy Contracts				8,321	
Investments of Captive Insurance Company:					
Corporate Debt Securities		8,201			
Total Assets	$	9,643	$	8,321	
Liabilities:					
Forward Energy Contracts	$	--	$	17,986	
Foreign Currency Exchange Forward Windows				97	
Total Liabilities	$	--	$	18,083	

December 31, 2009 (in thousands)		Level 1		Level 2	Level 3
Assets:					
Investments for Nonqualified Retirement Savings Retirement Plan:					
Money Market and Mutual Funds and Cash	$	731	$	--	
Forward Energy Contracts				8,321	
Investments of Captive Insurance Company:					
Corporate Debt Securities		7,795			
U.S. Government Debt Securities		253			
Total Assets	$	8,779	$	8,321	
Liabilities:					
Forward Energy Contracts	$	--	$	14,681	
Total Liabilities	$	--	$	14,681	

Inventories

Inventories consist of the following:

(in thousands)		June 30, 2010		December 31, 2009
Finished Goods	$	46,425	$	42,784
Work in Process		7,460		3,824
Raw Material, Fuel and Supplies		40,204		39,907
Total Inventories	$	94,089	$	86,515

8

Goodwill and Other Intangible Assets
The Company accounts for goodwill and other intangible assets in accordance with the requirements of ASC 350, Intangibles—Goodwill and Other, requiring goodwill and indefinite-lived intangible assets to be measured for impairment at least annually, and more often when events indicate the assets may be impaired. Intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment in accordance with requirements under ASC 360-10-35, Property, Plant, and Equipment—Overall—Subsequent Measurement.

During the first six months of 2010, ShoreMaster's performance was below its 2010 budget and below its performance over the same period in 2009. While updating the second quarter earnings forecast, it became apparent that ShoreMaster's commercial marina and waterfront lines of business continued to be adversely impacted by the economic recession in 2010. The Consumer Confidence Index declined 9.8% in June 2010 around increasing uncertainty and apprehension about the future state of the economy and labor market. The Purchasing Managers' Index also experienced a drop in June around concerns over the status of the economic recovery. These conditions have resulted in a reduction in incoming orders in the commercial marina business. As a result of the poor first half 2010 performance and new economic indicators, ShoreMaster's new forecast projects a slower recovery from the economic recession than was expected in 2009.

In light of the continuing economic uncertainty and delayed economic recovery, ShoreMaster revised its current sales and operating cash flow projections downward and reassessed its fair value to determine if its goodwill and other assets were impaired. ShoreMaster used a discounted cash flow model using a risk adjusted weighted average cost of capital discount rate of 14% to determine its fair value. The fair value determination indicated ShoreMaster's goodwill and intangible assets were 100% impaired and its long-lived assets were partially impaired, resulting in the following impairment charges in June 2010:

(in thousands)		
Goodwill	$	12,259
Brand/Trade Name		4,869
Other Intangible Assets		507
Long-Lived Assets		2,105
Total Asset Impairment Charges	$	19,740

As a result of the sale of certain imaging assets and routes in the Health Services segment in the second quarter of 2010, goodwill was reduced by $213,000.

The following table summarizes changes to goodwill by business segment during the first six months of 2010:

(in thousands)	Balance December 31, 2009	Adjustment to Goodwill in 2010	Goodwill Acquired in 2010	Balance June 30, 2010
Plastics	$ 19,302	$ --	$ --	$ 19,302
Manufacturing	24,732	(12,259)	--	12,473
Health Services	23,878	(213)	--	23,665
Food Ingredient Processing	24,324	--	--	24,324
Other Business Operations	14,542	--	--	14,542
Total	$ 106,778	$ (12,472)	$ --	$ 94,306

The following table summarizes the components of the Company's intangible assets at June 30, 2010 and December 31, 2009:

June 30, 2010 (in thousands)		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	Amortization Periods
Amortized Intangible Assets:							
Customer Relationships	$	26,946	$	4,318	$	22,628	15 – 25 years
Covenants Not to Compete		1,704		1,627		77	3 – 5 years
Other Intangible Assets Including Contracts		930		890		40	5 – 30 years
Total	$	29,580	$	6,835	$	22,745	
Nonamortized Intangible Assets:							
Brand/Trade Name	$	5,012	$	--	$	5,012	
December 31, 2009 (in thousands)							
Amortized Intangible Assets:							
Customer Relationships	$	26,956	$	3,696	$	23,260	15 – 25 years
Covenants Not to Compete		2,190		2,047		143	3 – 5 years
Other Intangible Assets Including Contracts		2,358		1,757		601	5 – 30 years
Total	$	31,504	$	7,500	$	24,004	
Nonamortized Intangible Assets:							
Brand/Trade Name	$	9,883	$	--	$	9,883	

The amortization expense for these intangible assets was $746,000 for the six months ended June 30, 2010 compared with $835,000 for the six months ended June 30, 2009. The estimated annual amortization expense for these intangible assets for the next five years is $1,349,000 for 2010, $1,274,000 for 2011, $1,255,000 for 2012, $1,251,000 for 2013 and $1,251,000 for 2014.

Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2010	2009	2010	2009
Net (Loss) Income	$(14,218)	$2,731	$(9,501)	$7,119
Other Comprehensive (Loss) Income (net-of-tax):				
Foreign Currency Translation (Loss) Gain	(676)	1,008	(188)	584
Amortization of Unrecognized Losses and Costs Related to Postretirement Benefit Programs	104	89	209	104
Unrealized Gain (Loss) on Available-for-Sale Securities	(8)	81	31	26
Total Other Comprehensive (Loss) Income	(580)	1,178	52	714
Total Comprehensive (Loss) Income	$(14,798)	$3,909	$(9,449)	$7,833

New Accounting Standards

Consolidation of Variable Interest Entities—In June 2009, the FASB issued new guidance on consolidation of variable interest entities. The guidance affects various elements of consolidation, including the determination of whether an entity is a variable interest entity and whether an enterprise is a variable interest entity's primary beneficiary. These updates to the Accounting Standards Codification are effective for interim and annual periods beginning after November 15, 2009. The Company implemented the guidance on January 1, 2010 and the implementation did not have a material impact on its consolidated financial statements.

Accounting Standards Update (ASU) No. 2010-06 Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements, issued by the FASB in January 2010, updates ASC 820 to require new disclosures for assets and liabilities measured at fair value. The requirements include expanded disclosure of valuation methodologies for fair value measurements, transfers between levels of the fair value hierarchy, and gross rather than net presentation of certain changes in Level 3 fair value measurements. The updates to ASC 820 contained in ASU No. 2010-06 were effective for interim and annual periods beginning after December 15, 2009, except for requirements related to gross presentation of certain changes in Level 3 fair value measurements, which are effective for interim and annual periods beginning after December 15, 2010. The implementation of applicable guidance from ASU No. 2010-06 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements, but did require additional fair value disclosures in footnotes to interim financial statements, similar to disclosures required with year-end financial statements.

2. Segment Information

The Company's businesses have been classified into six segments based on products and services and reach customers in all 50 states and international markets. The six segments are: Electric, Plastics, Manufacturing, Health Services, Food Ingredient Processing and Other Business Operations.

Electric includes the production, transmission, distribution and sale of electric energy in Minnesota, North Dakota and South Dakota by the Company's subsidiary, OTP. In addition, OTP is an active wholesale participant in the Midwest Independent Transmission System Operator (MISO) markets. OTP's operations have been the Company's primary business since 1907.

Plastics consists of businesses producing polyvinyl chloride (PVC) pipe in the Upper Midwest and Southwest regions of the United States.

Manufacturing consists of businesses in the following manufacturing activities: production of wind towers, contract machining, metal parts stamping and fabrication, and production of waterfront equipment, material and handling trays and horticultural containers. These businesses have manufacturing facilities in Florida, Illinois, Minnesota, Missouri, North Dakota, Oklahoma and Ontario, Canada and sell products primarily in the United States.

Health Services consists of businesses involved in the sale of diagnostic medical equipment, patient monitoring equipment and related supplies and accessories. These businesses also provide equipment maintenance, diagnostic imaging services and rental of diagnostic medical imaging equipment to various medical institutions located throughout the United States.

Food Ingredient Processing consists of Idaho Pacific Holdings, Inc. (IPH), which owns and operates potato dehydration plants in Ririe, Idaho; Center, Colorado; and Souris, Prince Edward Island, Canada. IPH produces dehydrated potato products that are sold in the United States, Canada and other countries.

Other Business Operations consists of businesses in residential, commercial and industrial electric contracting industries, fiber optic and electric distribution systems, water, wastewater and HVAC systems construction, transportation and energy services. These businesses operate primarily in the Central United States, except for the transportation company which operates in 48 states and four Canadian provinces.

The Company's electric operations, including wholesale power sales, are operated by its wholly owned subsidiary, OTP, and its energy services operation is operated by a separate wholly owned subsidiary of the Company. All of the Company's other businesses are owned by its wholly owned subsidiary, Varistar Corporation (Varistar).

Corporate includes items such as corporate staff and overhead costs, the results of the Company's captive insurance company and other items excluded from the measurement of operating segment performance. Corporate assets consist primarily of cash, prepaid expenses, investments and fixed assets. Corporate is not an operating segment. Rather, it is added to operating segment totals to reconcile to totals on the Company's consolidated financial statements.

The Company has one customer within the manufacturing segment that accounted for 13.6% of the Company’s consolidated revenues in 2009. No other single external customer accounts for 10% or more of the Company’s consolidated revenues. Substantially all of the Company’s long-lived assets are within the United States except for a food ingredient processing dehydration plant in Souris, Prince Edward Island, Canada and a wind tower manufacturing plant in Fort Erie, Ontario, Canada.

The following table presents the percent of consolidated sales revenue by country:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
United States of America	97.5 %	97.3 %	97.0 %	97.9 %
Canada	1.4 %	1.3 %	2.0 %	1.0 %
All Other Countries (none greater than 1%)	1.1 %	1.4 %	1.0 %	1.1 %

The Company evaluates the performance of its business segments and allocates resources to them based on earnings contribution and return on total invested capital. Information for the business segments for three and six month periods ended June 30, 2010 and 2009 and total assets by business segment as of June 30, 2010 and December 31, 2009 are presented in the following tables:

Operating Revenue

(in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Electric	$76,284	$70,663	$167,370	$159,204
Plastics	26,739	22,183	49,826	35,713
Manufacturing	84,411	76,843	162,989	172,862
Health Services	23,645	28,192	48,816	56,359
Food Ingredient Processing	18,255	20,581	37,170	40,667
Other Business Operations	42,173	29,597	68,475	61,492
Corporate Revenues and Intersegment Eliminations	(1,312)	(1,202)	(2,265)	(2,201)
Total	$270,195	$246,857	$532,381	$524,096

Interest Expense

(in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Electric	$5,328	$4,266	$10,582	$8,277
Plastics	428	199	791	399
Manufacturing	2,719	1,439	5,185	2,718
Health Services	280	100	525	196
Food Ingredient Processing	28	10	65	20
Other Business Operations	300	112	536	232
Corporate and Intersegment Eliminations	322	526	751	1,080
Total	$9,405	$6,652	$18,435	$12,922

Income Tax (Benefit) Expense

(in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Electric	$(452)	$(832)	$4,446	$939
Plastics	141	198	635	(1,449)

Manufacturing	(5,616)	(208)