

GREEN MOUNTAIN POWER CORP
Form 10-Q
May 09, 2006

**United States
Securities and Exchange Commission
Washington, D.C. 20549**

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2006

or

o 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 1-8291

GREEN MOUNTAIN POWER CORPORATION

(Exact name of registrant as specified in its charter)

Vermont
(State or other jurisdiction of
incorporation or organization)

03-0127430
(I.R.S. Employer
Identification No.)

163 Acorn Lane
Colchester, Vermont
(Address of Principal Executive Offices)

05446
(Zip Code)

(802) 864-5731
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 x No o

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 o Accelerated Filer x Non-accelerated filer o

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

The number of shares of Common Stock, \$3.33 1/3 par value, outstanding as of April 28, 2006: 5,253,958.

This report contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. You can identify these statements by forward-looking words such as "may," "could", "should," "would," "intend," "will," "expect," "forecast," "anticipate," "believe," "estimate," "continue" or similar words. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and are including this statement for purposes of complying with these safe harbor provisions. You should read statements that contain these words carefully because they discuss the Company's future expectations, contain projections of the Company's future results of operations or financial condition, or state other "forward-looking" information.

There may be events in the future that we are not able to predict accurately or control and that may cause actual results to differ materially from the expectations described in forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in this document, including the documents incorporated by reference in this document. These differences may be the result of various factors, including changes in general, national, regional, or local economic conditions, changes in fuel or wholesale power supply costs, regulatory or legislative action or decisions, and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission.

The factors referred to above include many, but not all, of the factors that could impact the Company's ability to achieve the results described in any forward-looking statements. You should not place undue reliance on forward-looking statements. You should be aware that the occurrence of the events described above and elsewhere in this document, including the documents incorporated by reference, could harm the Company's business, prospects, operating results or financial condition. We do not undertake any obligation to update any forward-looking statements as a result of future events or developments.

AVAILABLE INFORMATION

Our Internet website address is: www.greenmountainpower.biz. We make available free of charge through the website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the SEC.

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****GREEN MOUNTAIN POWER CORPORATION**
Consolidated Comparative Income Statements**Unaudited**
Three Months Ended
March 31

In thousands, except per share data	2006	2005
Operating revenues		
Retail Revenues	\$ 53,950	\$ 54,420
Wholesale Revenues	7,026	3,828
Total operating revenues	60,976	58,248
Operating expenses		
Power Supply		
Vermont Yankee Nuclear Power Corporation	9,092	8,695
Company-owned generation	1,344	1,540
Purchases from others	25,000	25,115
Other operating	5,457	4,882
Transmission	4,931	4,172
Maintenance	2,815	2,345
Depreciation and amortization	3,637	3,776
Taxes other than income	1,711	1,722
Income taxes	2,031	1,675
Total operating expenses	56,018	53,922
Operating income	4,958	4,326
Other income		
Equity in earnings of affiliates and non-utility operations	410	397
Allowance for equity funds used during construction	11	7
Other income (deductions), net	(52)	(54)
Total other income	369	350
Interest charges		
Long-term debt	1,633	1,633
Other interest	163	67
Allowance for borrowed funds used during construction	(5)	(5)
Total interest charges	1,791	1,695
Income from continuing operations	3,536	2,981
Income (Loss) from discontinued operations, net	76	(2)
Net income applicable to common stock	\$ 3,612	\$ 2,979

	Unaudited	
	Three Months Ended	
	March 31	
	2006	2005
Consolidated Statements of Comprehensive Income		
Net income	\$ 3,612	\$ 2,979
Other comprehensive income, net of tax	-	-
Comprehensive income	\$ 3,612	\$ 2,979
Basic earnings per share	\$ 0.69	\$ 0.58

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Diluted earnings per share	\$	0.68	\$	0.56
Cash dividends declared per share	\$	0.28	\$	0.25
Weighted average common shares outstanding-basic		5,243		5,160
Weighted average common shares outstanding-diluted		5,319		5,301

The accompanying notes are an integral part of these consolidated financial statements.

GREEN MOUNTAIN POWER CORPORATION Consolidated Statements of Cash Flows	Unaudited For the Three Months Ended March 31	
	2006	2005
	(in thousands)	
Operating Activities:		
Income from continuing operations	\$ 3,536	\$ 2,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,637	3,776
Dividends from associated companies	310	297
Equity in undistributed earnings of associated companies	(363)	(319)
Allowance for funds used during construction	(16)	(12)
Amortization of deferred purchased power costs	82	849
Deferred income tax expense, net of investment tax credit amortization	1,660	(700)
Deferred purchased power costs	(5,910)	1
Environmental and conservation deferrals, net	(649)	(308)
Share-based compensation	214	60
Changes in:		
Accounts receivable and accrued utility revenues	1,343	943
Prepayments, fuel and other current assets	143	502
Accounts payable and other current liabilities	1,719	(1,100)
Accrued income taxes payable and receivable	(4,702)	2,289
Other	260	674
Net cash provided by continuing operations	1,265	9,933
Operating cash flows from discontinued operations	76	(2)
Net cash provided by operating activities	1,341	9,931
Investing Activities:		
Construction expenditures	(4,028)	(3,684)
(Restriction)release of cash for renewable energy investments	105	(1)
Return of capital from associated companies	158	63
Investment in nonutility property	(59)	(49)
Net cash used in investing activities	(3,824)	(3,671)
Financing Activities:		
Payments on capital lease	(20)	(47)
Issuance of common stock	214	237
Short-term debt	-	(3,000)
Cash dividends	(1,471)	(1,291)
Net cash used in financing activities	(1,277)	(4,101)
Net increase in cash and cash equivalents	(3,759)	2,159
Cash and cash equivalents at beginning of period	6,500	1,720
Cash and cash equivalents at end of period	\$ 2,741	\$ 3,879
Supplemental Disclosure of Cash Flow Information:		
Cash paid year-to-date for:		
Interest	\$ 1,139	\$ 1,041

Income taxes	4,137	12
Non-cash construction additions	520	693

The accompanying notes are an integral part of these consolidated financial statements.

GREEN MOUNTAIN POWER CORPORATION
Consolidated Balance Sheets

	Unaudited	
	At March 31,	At December 31,
	2006	2005
	In thousands	
ASSETS		
Utility plant		
Utility plant, at original cost	\$ 349,821	\$ 347,947
Less accumulated depreciation	125,634	122,924
Utility plant, net of accumulated depreciation	224,187	225,023
Property under capital lease	4,369	4,369
Construction work in progress	8,613	7,519
Total utility plant, net	237,169	236,911
Other investments		
Associated companies, at equity	9,932	10,036
Other investments	10,681	10,627
Total other investments	20,613	20,663
Current assets		
Cash and cash equivalents	2,741	6,500
Accounts receivable, less allowance for doubtful accounts of \$500 and \$484	19,109	19,594
Accrued utility revenues	6,432	7,291
Fuel, materials and supplies, average cost	6,333	6,360
Power supply derivative asset	8,407	15,342
Power supply regulatory asset	4,674	7,791
Prepayments and other current assets	1,318	1,434
Total current assets	49,014	64,312
Deferred charges		
Demand side management programs	5,470	5,835
Purchased power costs	7,634	1,812
Pine Street Barge Canal	12,776	12,861
Power supply regulatory asset	24,100	22,344
Other regulatory assets	5,560	5,809
Other deferred charges	3,201	3,068
Total deferred charges	58,741	51,729
Non-utility		
Property and equipment	246	246
Other assets	388	407
Total non-utility assets	634	653
Total assets	\$ 366,171	\$ 374,268

The accompanying notes are an integral part of these consolidated financial statements.

GREEN MOUNTAIN POWER CORPORATION
Consolidated Balance Sheets

	Unaudited		At December 31,
	At March 31,		2005
	2006		
	In thousands except share data		
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common stock, \$3.33 1/3 par value, authorized 10,000,000 shares (issued 6,079,397 and 6,060,962)	\$ 20,265	\$	20,203
Additional paid-in capital	81,362		81,271
Retained earnings	38,005		35,864
Accumulated other comprehensive income	(3,263)		(3,263)
Treasury stock, at cost (827,639 shares)	(16,701)		(16,701)
Total common stock equity	119,668		117,374
Long-term debt, less current maturities	79,000		79,000
Total capitalization	198,668		196,374
Capital lease obligation	3,924		3,944
Current liabilities			
Current portion of long term debt	14,000		14,000
Accounts payable, trade and accrued liabilities	8,950		14,196
Accounts payable to associated companies	7,096		1,483
Accrued taxes	901		5,603
Power supply derivative liability	4,674		7,791
Power supply regulatory liability	8,407		15,342
Customer deposits	1,039		1,052
Interest accrued	1,871		1,137
Other	2,474		2,552
Total current liabilities	49,412		63,156
Deferred credits			
Power supply derivative liability	24,100		22,344
Accumulated deferred income taxes	29,822		28,092
Unamortized investment tax credits	2,209		2,280
Pine Street Barge Canal cleanup liability	5,504		6,096
Accumulated cost of removal	21,255		21,105
Deferred compensation	10,138		8,213
Other regulatory liabilities	7,113		6,513
Other deferred liabilities	11,728		13,777
Total deferred credits	111,869		108,420
COMMITMENTS AND CONTINGENCIES, Note 3			
Non-utility			
Net liabilities of discontinued segment	2,298		2,374
Total non-utility liabilities	2,298		2,374
Total capitalization and liabilities	\$ 366,171	\$	374,268

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Retained Earnings	Unaudited	
	Three Months Ended	
	March 31	
In thousands	2006	2005
Balance - beginning of period	\$ 35,864	\$ 29,889
Net Income	3,612	2,979
Other adjustments	-	-
Cash Dividends-common stock	(1,471)	(1,291)
Balance - end of period	\$ 38,005	\$ 31,577

The accompanying notes are an integral part of these consolidated financial statements.

ITEM 1. NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

It is our opinion that the financial information contained in this report reflects all normal, recurring adjustments necessary to present a fair statement of results for the periods reported, but such results are not necessarily indicative of results to be expected for the year due to the seasonal nature of our business and include other adjustments discussed elsewhere in this report necessary to reflect fairly the results of the interim periods. 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 in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, the disclosures herein, when read with the Green Mountain Power Corporation (the "Company" or "GMP") annual report for 2005 filed on Form 10-K, are adequate to make the information presented not misleading. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect assets and liabilities, and revenues and expenses. Actual results could differ from such estimates.

Regulatory Accounting

The Company's utility operations, including accounting records, rates, operations and certain other practices of its electric utility business, are subject to the regulatory authority of the Federal Energy Regulatory Commission ("FERC") and the Vermont Public Service Board ("VPSB"). The Vermont Department of Public Service ("DPS" or the "Department") is the public advocate for utility customers.

The accompanying consolidated financial statements conform to accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises in accordance with Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for Certain Types of Regulation." Under SFAS 71, the Company accounts for certain transactions in accordance with permitted regulatory treatment. As such, regulators may permit incurred costs or benefits, typically treated as expenses or income by unregulated entities, to be deferred and expensed or benefited in future periods. Costs are deferred as regulatory assets when the Company concludes that future revenue will be provided to permit recovery of the previously incurred cost. Revenues may also be deferred as regulatory liabilities that would be returned to customers by reducing future revenue requirements. The Company analyzes evidence supporting deferral, including provisions for recovery in regulatory orders, past regulatory precedent, other regulatory correspondence and legal representations. Management's conclusions on the recovery of regulatory assets represent a critical accounting estimate.

Conditions that could give rise to the discontinuance of SFAS 71 include increasing competition that restricts the Company's ability to recover specific costs, and a change in the manner in which rates are set by regulators from cost-based regulation to some other form of regulation.

Revenues

The VPSB sets the rates we charge our customers for their electricity. Electricity sales to customers are based on monthly meter readings. Estimated unbilled revenues are recorded at the end of each monthly accounting period. In order to determine unbilled revenues, the Company makes various estimates including 1) energy generated, purchased and resold, 2) losses of energy over transmission and distribution lines, 3) kilowatt-hour usage by retail customer mix (residential, small commercial and industrial), and 4) average retail customer pricing rates.

The Company recognizes revenues from sales of utility construction and other services in retail revenues. To the extent that these revenues arise under long-term contracts, the Company records revenues and net income using the percentage of contract completion method.

Benefit Plans

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The Company sponsors several qualified and nonqualified pension plans and other post-employment benefit plans covering current and former employees who meet certain eligibility criteria. The assumptions used to calculate the cost and obligations associated with these plans are determined on January 1 for the upcoming year. These assumptions are disclosed in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2005 (the "Form 10-K"). The Company expects to contribute approximately \$2.0 million to its defined benefit plans in 2006. During the three months ended March 31, 2006, GMP contributed \$0.5 million to its defined benefit plans.

For the Three Months Ended
March 31, 2006

	Qualified Pension Plan	Supplemental Pension Plan	Post-Retirement Benefit Plan	Total
In thousands				
Service cost	\$ 319	\$ 25	\$ 81	\$ 425
Interest cost	531	75	250	856
Expected return on plan assets	(669)	0	(250)	(919)
Amortization of prior service cost	0	0	81	81
Amortization of the transition obligation	31	19	(62)	(12)
Recognized net actuarial gain	100	12	63	175
Net periodic pension benefit cost	\$ 312	\$ 131	\$ 163	\$ 606

For the Three Months Ended
March 31, 2005

	Qualified Pension Plan	Supplemental Pension Plan	Post-Retirement Benefit Plan	Total
In thousands				
Service cost	\$ 221	\$ 35	\$ 77	\$ 333
Interest cost	515	73	267	855
Expected return on plan assets	(603)	0	(236)	