Otter Tail Corp
Form 10-Q
May 10, 2012

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 March 31, 2012

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

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

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 __

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

Smaller reporting company __

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

April 30, 2012 – 36,163,773 Common Shares ($5 par value)

OTTER TAIL CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands)	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	$--	$14,652
Accounts Receivable:		
Trade—Net	139,350	116,522
Other	16,019	18,807
Inventories	82,959	77,983
Deferred Income Taxes	12,335	12,307
Accrued Utility Revenues	12,150	13,719
Costs and Estimated Earnings in Excess of Billings	66,394	67,109
Regulatory Assets	24,980	27,391
Other	20,867	21,414
Assets of Discontinued Operations	529	29,692
Total Current Assets	375,583	399,596
Investments	11,337	11,093
Other Assets	27,812	26,997
Goodwill	39,406	39,406
Other Intangibles—Net	15,038	15,286
Deferred Debits		
Unamortized Debt Expense	6,125	6,458
Regulatory Assets	122,481	124,137
Total Deferred Debits	128,606	130,595
Plant		
Electric Plant in Service	1,378,651	1,372,534
Nonelectric Operations	309,565	310,320
Construction Work in Progress	63,469	54,439
Total Gross Plant	1,751,685	1,737,293
Less Accumulated Depreciation and Amortization	670,349	659,744
Net Plant	1,081,336	1,077,549
Total Assets	$1,679,118	$1,700,522

See accompanying notes to consolidated financial statements.

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Otter Tail Corporation
Consolidated Balance Sheets
(not audited)

(in thousands, except share data)	March 31, 2012	December 31, 2011
LIABILITIES AND EQUITY		
Current Liabilities		
Short-Term Debt	$3,311	$--
Current Maturities of Long-Term Debt	3,000	3,033
Accounts Payable	121,518	115,514
Accrued Salaries and Wages	14,279	19,043
Accrued Taxes	12,149	11,841
Derivative Liabilities	24,686	18,770
Other Accrued Liabilities	7,842	5,540
Liabilities of Discontinued Operations	37	13,763
Total Current Liabilities	186,822	187,504
Pensions Benefit Liability	97,719	106,818
Other Postretirement Benefits Liability	49,013	48,263
Other Noncurrent Liabilities	26,670	19,002
Commitments and Contingencies (note 9)		
Deferred Credits		
Deferred Income Taxes	161,041	177,264
Deferred Tax Credits	32,868	33,182
Regulatory Liabilities	69,003	69,106
Other	540	520
Total Deferred Credits	263,452	280,072
Capitalization		
Long-Term Debt, Net of Current Maturities	471,878	471,915
Cumulative Preferred Shares Authorized 1,500,000 Shares Without Par Value; Outstanding 2012 and 2011 – 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, 2012—36,107,795 Shares; 2011—36,101,695 Shares	180,539	180,509
Premium on Common Shares	253,267	253,123
Retained Earnings	137,566	141,248
Accumulated Other Comprehensive Loss	(3,308)	(3,432)
Total Common Equity	568,064	571,448

Total Capitalization	1,055,442	1,058,863
Total Liabilities and Equity	$1,679,118	$1,700,522

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 March 31, 2012	2011
Operating Revenues		
Electric	$89,938	$91,526
Nonelectric	187,651	157,622
Total Operating Revenues	277,589	249,148
Operating Expenses		
Production Fuel - Electric	15,424	19,577
Purchased Power - Electric System Use	14,158	12,377
Electric Operation and Maintenance Expenses	30,013	28,708
Asset Impairment Charge - Electric	432	--
Cost of Goods Sold - Nonelectric (excludes depreciation; included below)	162,990	140,339
Other Nonelectric Expenses	17,491	13,076
Depreciation and Amortization	17,053	17,106
Property Taxes - Electric	2,617	2,409
Total Operating Expenses	260,178	233,592
Operating Income	17,411	15,556
Interest Charges	8,616	9,476
Other Income	993	371
Income from Continuing Operations Before Income Taxes	9,788	6,451
Income Taxes – Continuing Operations	297	1,238
Net Income from Continuing Operations	9,491	5,213
Discontinued Operations		
Income - net of Income Tax Expense of $584 and $288 for the respective periods	841	483
Loss on Disposition - net of Income Tax Benefit of ($134) in 2012	(3,089)	--
Net (Loss) Income from Discontinued Operations	(2,248)	483
Net Income	7,243	5,696
Preferred Dividend Requirements	184	184
Earnings Available for Common Shares	$7,059	$5,512
Average Number of Common Shares Outstanding—Basic	35,995,179	35,876,853
Average Number of Common Shares Outstanding—Diluted	36,129,192	36,081,426
Basic Earnings Per Common Share:		
Continuing Operations (net of preferred dividend requirement)	$0.26	$0.14
Discontinued Operations	(0.06)	0.01
	0.20	0.15
Diluted Earnings Per Common Share:		
Continuing Operations (net of preferred dividend requirement)	$0.26	$0.14
Discontinued Operations	(0.06)	0.01

	0.20	0.15
Dividends Declared Per Common Share	$0.2975	$0.2975

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Statements of Comprehensive Income
(not audited)

(in thousands)	Three Months Ended March 31, 2012	2011
Net Income	$7,243	$5,696
Other Comprehensive (Loss) Income:		
Unrealized Gain (Loss) on Available-for-Sale Securities:		
Gain (Loss) Arising During Period	104	(17)
Income Tax (Expense) Benefit	(41)	7
Gain (Loss) on Available-for-Sale Securities – net-of-tax	63	(10)
Foreign Currency Translation Adjustment Gain:		
Unrealized Net Change During Period	--	645
Income Tax Expense	--	(200)
Foreign Currency Translation Adjustment Gain – net-of-tax	--	445
Pension and Postretirement Benefit Plans:		
Actuarial Loss -- Regulatory Allocation Adjustment (ESSRP)	--	(1,621)
Amortization of Unrecognized Postretirement Benefit Losses and Costs	102	171
Income Tax (Expense) Benefit	(41)	580
Pension and Postretirement Benefit Plans – net-of-tax	61	(870)
Total Other Comprehensive Income (Loss)	124	(435)
Total Comprehensive Income	$7,367	$5,261

See accompanying notes to consolidated financial statements.

Otter Tail Corporation
Consolidated Statements of Cash Flows
(not audited)

(in thousands)	Three Months Ended March 31, 2012	2011
Cash Flows from Operating Activities		
Net Income	$7,243	$5,696
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Loss from Sale of Discontinued Operations	3,089	--
Income from Discontinued Operations	(841)	(483)
Depreciation and Amortization	17,053	17,106
Asset Impairment Charge	432	--
Deferred Tax Credits	(522)	(659)
Deferred Income Taxes	(7,717)	4,124
Change in Deferred Debits and Other Assets	7,872	6,266
Discretionary Contribution to Pension Plan	(10,000)	--
Change in Noncurrent Liabilities and Deferred Credits	9,299	85
Allowance for Equity (Other) Funds Used During Construction	(162)	(116)
Change in Derivatives Net of Regulatory Deferral	281	(59)
Stock Compensation Expense – Equity Awards	287	452
Other—Net	321	304
Cash (Used for) Provided by Current Assets and Current Liabilities:		
Change in Receivables	(20,040)	(30,390)
Change in Inventories	(4,976)	(1,675)
Change in Other Current Assets	(3,034)	(634)
Change in Payables and Other Current Liabilities	5,598	1,873
Change in Interest and Income Taxes Receivable/Payable	2,251	1,245
Net Cash Provided by Continuing Operations	6,434	3,135
Net Cash Provided by Discontinued Operations	1,417	3,826
Net Cash Provided by Operating Activities	7,851	6,961
Cash Flows from Investing Activities		
Capital Expenditures	(36,321)	(20,596)
Proceeds from Disposal of Noncurrent Assets	1,824	258
Net Increase in Other Investments	(1,321)	(598)
Net Cash Used in Investing Activities - Continuing Operations	(35,818)	(20,936)
Net Proceeds from Sale of Discontinued Operations	24,362	--
Net Cash Used in Investing Activities - Discontinued Operations	(11,705)	(2,522)
Net Cash Used in Investing Activities	(23,161)	(23,458)
Cash Flows from Financing Activities		
Change in Checks Written in Excess of Cash	10,546	(8,463)
Net Short-Term Borrowings	3,311	37,486
Proceeds from Issuance of Long-Term Debt	--	1,500
Short-Term and Long-Term Debt Issuance Expenses	(10)	(686)
Payments for Retirement of Long-Term Debt	(70)	(70)
Dividends Paid and Other Distributions	(11,037)	(11,041)
Net Cash Provided by Financing Activities - Continuing Operations	2,740	18,726
Net Cash Used in Financing Activities - Discontinued Operations	(1,409)	(1,502)

Net Cash Provided by Financing Activities	1,331	17,224
Net Change in Cash and Cash Equivalents - Discontinued Operations	(673)	1,145
Effect of Foreign Exchange Rate Fluctuations on Cash – Discontinued Operations	--	(288)
Net Change in Cash and Cash Equivalents	(14,652)	1,584
Cash and Cash Equivalents at Beginning of Period	14,652	--
Cash and Cash Equivalents at End of Period	$--	$1,584

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 condensed consolidated financial statements for the periods presented. The condensed 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, 2011, 2010 and 2009 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Because of seasonal and other factors, the earnings for the three months ended March 31, 2012 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, 2011.

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 (OTP) forward energy contracts, marked-to-market and realized gains and losses are recognized on a net basis in revenue in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 815, Derivatives and Hedging. 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 in the Company’s Wind Energy, Manufacturing and Construction segments enter into fixed-price construction contracts. Revenues under these contracts are recognized on a percentage-of-completion basis. 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 a point in time during a contract, a projected loss for the entire contract is estimated and recognized. Following are the percentages of the Company’s consolidated revenues recorded under the percentage-of-completion method:

	Three Months Ended March 31,	
	2012	2011
Percentage-of-Completion Revenues	32.2 %	35.5 %

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

(in thousands)	March 31, 2012	December 31, 2011
Costs Incurred on Uncompleted Contracts	$457,977	$583,346
Less Billings to Date	(421,796)	(550,070)
Plus Estimated Earnings Recognized	22,232	24,478
	$58,413	$57,754

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)	March 31, 2012	December 31, 2011
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	$66,394	$67,109
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	(7,981)	(9,355)
	$58,413	$57,754

Included in Costs and Estimated Earnings in Excess of Billings are the following amounts at DMI Industries, Inc. (DMI), the Company's wind tower manufacturer:

(in thousands)	March 31, 2012	December 31, 2011
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts - DMI	$54,199	$54,541

These amounts are 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.

Warranty Reserves

The Company establishes reserves for estimated product warranty costs at the time revenue is recognized based on historical warranty experience and additionally for any known product warranty issues. Certain Company products carry one to fifteen year warranties. Although the Company engages in extensive product quality programs and processes, the Company's warranty obligations have been and may in the future be affected by product failure rates, repair or field replacement costs and additional development costs incurred in correcting product failures.

(in thousands)	
Warranty Reserve Balance, December 31, 2011	$ 3,170
Provision for Warranties Issued During the Year	325
Settlements Made During the Year	(380)
Adjustments to Warranty Estimates for Prior Years	(38)
Warranty Reserve Balance, March 31, 2012	$ 3,077

Expenses associated with remediation activities in the Wind Energy segment could be substantial. The potential exists for multiple claims based on one defect repeated throughout the production process or for claims where the cost to repair or replace the defective part is highly disproportionate to the original cost of the part. If the Company is required to cover remediation expenses in addition to regular warranty coverage, the Company could be required to accrue additional expenses and experience additional unplanned cash expenditures which could adversely affect the Company's consolidated results of operations and financial condition.

Retainage

Accounts Receivable include the following amounts, billed under contracts by the Company's subsidiaries, that have been retained by customers pending project completion:

(in thousands)	March 31, 2012	December 31, 2011
Accounts Receivable Retained by Customers	$13,387	$13,526

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Sales of Receivables

DMI was a party to a $40 million receivables sales agreement whereby designated customer accounts receivable were sold to General Electric Capital Corporation on a revolving basis. 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. Following are the amounts of accounts receivable sold and discounts, fees and commissions paid under DMI’s receivables sales agreement with General Electric Capital Corporation:

	Three Months Ended March 31,	
(in thousands)	2012	2011
Accounts Receivable Sold	$ 21,028	$ 19,048
Discounts, Fees and Commissions Paid on Sale of Accounts Receivable	$ 197	$ 118

This agreement was terminated effective April 26, 2012. DMI has negotiated payment terms with the customer whose receivables were being sold and has agreed to receive accelerated payment of receivables due from the customer in exchange for a negotiated discount for early payment.

Fair Value Measurements

The Company follows ASC 820, Fair Value Measurements and Disclosures, for recurring fair value measurements. ASC 820 provides a single definition of fair value, requires enhanced disclosures about assets and liabilities measured at fair value and 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 are as follows:

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 tables present, for each of these hierarchy levels, the Company’s assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011:

March 31, 2012 (in thousands)	Level 1	Level 2	Level 3
Assets:			
Investments for Nonqualified Retirement Savings Retirement Plan:			
Money Market and Mutual Funds	$ 1,264	$ --	
Equity Securities	127		
Forward Gasoline Purchase Contracts		15	

Forward Energy Contracts				5,391
Investments of Captive Insurance Company:				
Money Market Fund		80		
Corporate Debt Securities				7,846
U.S. Government Debt Securities				1,297
Money Market Fund - Escrow Account Idaho Pacific Holdings, Inc. (IPH) Sale		3,001		
Total Assets	$	4,472	$	14,549
Liabilities:				
Forward Gasoline Purchase Contracts	$	--	$	4
Forward Energy Contracts		--		24,682
Total Liabilities	$	--	$	24,686

December 31, 2011 (in thousands)	Level 1	Level 2	Level 3
Assets:			
Investments for Nonqualified Retirement Savings Retirement Plan:			
Money Market and Mutual Funds	$ 364	$ --	
Forward Gasoline Purchase Contracts	9		
Forward Energy Contracts		3,803	
Regulatory Asset – Deferred Mark-to-Market Losses on Forward Energy Contracts		15,957	
Investments of Captive Insurance Company:			
Corporate Debt Securities		8,083	
U.S. Government Debt Securities	707		
Money Market Fund - Escrow Account (IPH) Sale	3,001		
Total Assets	$ 4,081	$ 27,843	
Liabilities:			
Forward Energy Contracts	$ --	$ 18,770	
Regulatory Liability – Deferred Mark-to-Market Gains on Forward Energy Contracts		96	
Total Liabilities	$ --	$ 18,866	

In 2012, the Company’s investments in forward gasoline contracts and U.S. government debt securities were moved to level 2 of the fair value hierarchy and the regulatory assets and liabilities are no longer included in the fair value table.

Inventories

Inventories consist of the following:

(in thousands)	March 31, 2012	December 31, 2011
Finished Goods	$ 24,569	$ 21,373
Work in Process	12,589	11,951
Raw Material, Fuel and Supplies	45,801	44,659
Total Inventories	$ 82,959	$ 77,983

Goodwill and Other Intangible Assets

The following table summarizes changes to goodwill by business segment during 2012:

(in thousands)	Gross Balance December 31, 2011	Accumulated Impairments	Balance (net of impairments) December 31, 2011	Adjustments to Goodwill in 2012	Balance (net of impairments) March 31, 2012
Electric	$240	$ (240)	$ --	$ --	$ --
Wind Energy	288	--	288	--	288
Manufacturing	24,445	(12,259)	12,186	--	12,186
Construction	7,630	--	7,630	--	7,630
Plastics	19,302	--	19,302	--	19,302
Total	$51,905	$ (12,499)	$ 39,406	$ --	$ 39,406

Other Intangible Assets

The following table summarizes the components of the Company's intangible assets at March 31, 2012 and December 31, 2011:

March 31, 2012 (in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Periods
Amortizable Intangible Assets:				
Customer Relationships	$ 16,811	$ 3,449	$ 13,362	15 – 25 years
Covenants Not to Compete	713	712	1	3 – 5 years
Other Intangible Assets Including Contracts	2,192	517	1,675	5 – 30 years
Total	$ 19,716	$ 4,678	$ 15,038	
December 31, 2011 (in thousands)				
Amortizable Intangible Assets:				
Customer Relationships	$ 16,811	$ 3,236	$ 13,575	15 – 25 years
Covenants Not to Compete	713	709	4	3 – 5 years
Other Intangible Assets Including Contracts	2,192	485	1,707	5 – 30 years
Total	$ 19,716	$ 4,430	$ 15,286	

The amortization expense for these intangible assets was:

	Three Months Ended March 31,	
(in thousands)	2012	2011
Amortization Expense – Intangible Assets	$ 247	$ 224

The estimated annual amortization expense for these intangible assets for the next five years is:

(in thousands)	2012	2013	2014	2015	2016
Estimated Amortization Expense – Intangible Assets	$981	$977	$977	$977	$945

Supplemental Disclosures of Cash Flow Information

	Three Months Ended March 31,	
(in thousands)	2012	2011
(Decrease) Increase in Accounts Payable Related to Capital Expenditures	$ (13,562)	$ 13

Reclassifications and Changes to Presentation

The Company's consolidated income statement and consolidated statement of cash flows for the three months ended March 31, 2011 reflect the reclassifications of the operating results and cash flows of E.W. Wylie Corporation (Wylie), DMS Health Technologies, Inc. (DMS), and Aviva Sports, Inc. (Aviva), a wholly owned subsidiary of ShoreMaster, Inc. (ShoreMaster), to discontinued operations as a result of the December 2011 sale of Wylie, the January 2012 sale of Aviva and the February 2012 sale of DMS. The reclassifications had no impact on the Company's total consolidated net income or cash flows for the three months ended March 31, 2011.

2. Segment Information

The Company's businesses have been classified into five segments to be consistent with its business strategy and the reporting and review process used by the Company’s chief operating decision makers. These businesses sell products and provide services to customers primarily in the United States. The five segments are: Electric, Wind Energy, Manufacturing, Construction and Plastics.

Electric includes the production, transmission, distribution and sale of electric energy in Minnesota, North Dakota and South Dakota by 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. Additionally, the electric segment includes Otter Tail Energy Services Company (OTESCO), which provides technical and engineering services.

Wind Energy consists of DMI, a steel fabrication company primarily involved in the production of wind towers sold in the United States and Canada, with manufacturing facilities in North Dakota, Oklahoma and Ontario, Canada. The facility in Ontario, Canada was idled in the fourth quarter of 2011 due to a lack of orders for wind towers.

Manufacturing consists of businesses in the following manufacturing activities: 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 and Minnesota and sell products primarily in the United States.

Construction consists of businesses involved in residential, commercial and industrial electric contracting and construction of fiber optic and electric distribution systems, water, wastewater and HVAC systems primarily in the central United States.

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

OTP and OTESCO are wholly owned subsidiaries of the Company. All of the Company’s other businesses are owned by its wholly owned subsidiary, Varistar Corporation (Varistar).

The Company’s corporate operating costs include 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 had one customer within the Wind Energy segment that accounted for 10.8% of the Company’s consolidated revenues in 2011. Substantially all of the Company’s long-lived assets are within the United States except for 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 March 31,			
	2012		2011	
United States of America	97.8	%	98.8	%
Canada	1.4	%	1.1	%

All Other Countries (none greater than 1%)	0.8	%	0.1	%

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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 the three months ended March 31, 2012 and amounts restated to reflect continuing operations for the three month periods ended March 31, June 30, and September 30, 2011, and total assets by business segment as of March 31, 2012 and December 31, 2011 are presented in the following tables:

Operating Revenue

	Three Months Ended			
	March 31,		June 30,	September 30,
(in thousands)	2012	2011	2011	2011
Electric	$90,003	$91,596	$78,031	$85,172
Wind Energy	52,102	46,988	55,025	52,595
Manufacturing	65,994	55,361	57,320	55,625
Construction	35,617	37,515	49,133	53,247
Plastics	34,875	18,478	44,373	36,231
Corporate Revenues and Intersegment Eliminations	(1,002)	(790)	(584)	(497)
Total	$277,589	$249,148	$283,298	$282,373

Interest Expense

	Three Months Ended			
	March 31,		June 30,	September 30,
(in thousands)	2012	2011	2011	2011
Electric	$4,851	$5,088	$4,990	$4,796
Wind Energy	1,700	1,701	1,858	1,775
Manufacturing	1,336	1,211	1,255	1,229
Construction	253	220	227	251
Plastics	346	363	402	411
Corporate and Intersegment Eliminations	130	893	406	234
Total	$8,616	$9,476	$9,138	$8,696

Income Taxes

	Three Months Ended			
	March 31,		June 30,	September 30,
(in thousands)	2012	2011	2011	2011
Electric	$1,622	$2,600	$7	$3,364
Wind Energy	(156)	(1,549)	(2,174)	(383)