

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, 1995

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

Commission File No. 1-3548

Minnesota Power & Light Company
A Minnesota Corporation
IRS Employer Identification No. 41-0418150
30 West Superior Street
Duluth, Minnesota 55802
Telephone - (218) 722-2641

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 and (2) has been subject to such filing
requirements for the past 90 days.

Yes No
----- -----

Common Stock, no par value,
31,314,718 shares outstanding
as of September 30, 1995

Minnesota Power & Light Company

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Definitions

The following abbreviations or acronyms are used in the text.

Abbreviation or Acronym	Term
1994 Form 10-K	Minnesota Power's Annual Report on Form 10-K for the Year Ended December 31, 1994
ADESA	ADESA Corporation
Capital Re Company	Capital Re Corporation Minnesota Power & Light Company and its Subsidiaries
CPI	Consolidated Papers, Inc.
DRIP	Automatic Dividend Reinvestment and Stock Purchase Plan
EPA	Environmental Protection Agency
ESOP	Employee Stock Ownership Plan
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
Lehigh	Lehigh Acquisition Corporation
LSPI	Lake Superior Paper Industries
Minnesota Power	Minnesota Power & Light Company and its Subsidiaries
MPUC	Minnesota Public Utilities Commission
MW	Megawatt(s)
Reach All	Reach All Partnership
Square Butte	Square Butte Electric Cooperative
SSU	Southern States Utilities, Inc.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

Minnesota Power
Consolidated Balance Sheet
In Thousands

	September 30, 1995 Unaudited	December 31, 1994 Audited

Assets		
Plant and Other Assets		
Electric utility operations	\$ 784,588	\$ 784,931
Water utility operations	313,727	295,451
Auto redistribution operations	100,575	-
Investments and corporate services	212,350	360,121
	-----	-----
Total plant and other assets	1,411,240	1,440,503
	-----	-----
Current Assets		
Cash and cash equivalents	42,467	27,001
Trading securities	53,919	74,046
Trade accounts receivable (less reserve of \$2,804 and \$1,041)	125,716	51,105
Notes and other accounts receivable	8,053	61,654
Fuel, material and supplies	24,168	26,405
Prepayments and other	23,289	25,927
	-----	-----
Total current assets	277,612	266,138
	-----	-----
Deferred Charges		
Regulatory	84,423	74,919
Other	26,652	24,353
	-----	-----
Total deferred charges	111,075	99,272
	-----	-----
Intangible Assets		
Goodwill	120,590	1,885
Other	12,305	-
	-----	-----
Total intangible assets	132,895	1,885
	-----	-----
Total Assets	\$1,932,822	\$1,807,798

Capitalization and Liabilities		
Capitalization		
Common stock without par value, 65,000,000 shares authorized 31,314,718 and 31,246,557 shares outstanding	\$ 373,369	\$ 371,178
Unearned ESOP shares	(73,394)	(76,727)
Net unrealized gain (loss) on securities investments	802	(5,410)
Cumulative translation adjustment	10	-
Retained earnings	279,960	272,646
	-----	-----
Total common stock equity	580,747	561,687
Cumulative preferred stock	28,547	28,547
Redeemable serial preferred stock	20,000	20,000
Long-term debt	622,417	601,317
	-----	-----
Total capitalization	1,251,711	1,211,551
	-----	-----
Current Liabilities		
Accounts payable	94,341	36,792
Accrued taxes	42,284	41,133
Accrued interest and dividends	11,683	14,157
Notes payable	89,450	54,098
Long-term debt due within one year	10,703	12,814
Other	35,905	23,799
	-----	-----
Total current liabilities	284,366	182,793
	-----	-----
Deferred Credits		
Accumulated deferred income taxes	165,106	192,441
Contributions in aid of construction	91,898	87,036

Regulatory	53,772	55,996
Other	85,969	77,981
	-----	-----
Total deferred credits	396,745	413,454
	-----	-----
Total Capitalization and Liabilities	\$1,932,822	\$1,807,798
	-----	-----

The accompanying notes are an integral part of this statement.

Minnesota Power
Consolidated Statement of Income
In Thousands Except Per Share Amounts - Unaudited

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
<hr style="border-top: 1px dashed black;"/>				
Operating Revenue and Income				
Electric utility operations	\$129,712	\$110,683	\$367,579	\$338,030
Water utility operations	17,606	17,289	52,422	54,822
Auto redistribution operations	30,381	-	30,381	-
Investments and corporate services	8,422	12,783	29,762	27,304
	-----	-----	-----	-----
Total operating revenue and income	186,121	140,755	480,144	420,156
	-----	-----	-----	-----
Operating Expenses				
Fuel and purchased power	46,087	38,250	130,510	118,372
Operations	75,696	58,901	198,812	174,392
Administrative and general	29,768	14,776	65,017	50,200
Interest expense	13,246	11,439	35,735	33,434
	-----	-----	-----	-----
Total operating expenses	164,797	123,366	430,074	376,398
	-----	-----	-----	-----
Income (Loss) from Equity Investments	2,339	1,247	(1,570)	4,296
	-----	-----	-----	-----
Operating Income from Continuing Operations	23,663	18,636	48,500	48,054
Income Tax Expense (Benefit)	7,978	4,336	(1,915)	11,500
	-----	-----	-----	-----
Income from Continuing Operations	15,685	14,300	50,415	36,554
Income from Discontinued Operations	33	899	2,874	983
	-----	-----	-----	-----
Net Income	15,718	15,199	53,289	37,537
Dividends on Preferred Stock	800	800	2,400	2,400
	-----	-----	-----	-----
Earnings Available for Common Stock	\$ 14,918	\$ 14,399	\$ 50,889	\$ 35,137
	=====	=====	=====	=====
Average Shares of Common Stock	28,512	28,258	28,443	28,216
Earnings Per Share of Common Stock				
Continuing operations	\$.52	\$.48	\$1.69	\$ 1.22
Discontinued operations	.00	.03	.10	.03
	----	----	-----	-----
Total	\$.52	\$.51	\$1.79	\$ 1.25
	=====	=====	=====	=====
Dividends Per Share of Common Stock	\$.51	\$.505	\$1.53	\$1.515
<hr style="border-top: 1px dashed black;"/>				

The accompanying notes are an integral part of this statement.

Minnesota Power
Consolidated Statement of Cash Flows
In Thousands - Unaudited

Nine Months Ended
September 30,
1995 1994

	1995	1994
<hr style="border-top: 1px dashed black;"/>		
Operating Activities		
Net income	\$ 53,289	\$37,537
Depreciation and amortization	40,269	34,393
Amortization of coal contract termination costs	-	3,920
Deferred income taxes	(28,491)	4,584
Deferred investment tax credits	(1,437)	(1,811)
Pretax loss on disposal of discontinued operations	1,760	-
Changes in operating assets and liabilities net of the effects of discontinued operations and subsidiary acquisitions		
Notes and accounts receivable	(6,748)	9,130
Fuel, material and supplies	(1,015)	(4,770)
Accounts payable	16,560	(9,577)
Other current assets and liabilities	34,104	13,485
Other - net	(8,388)	3,302
	-----	-----
Cash from operating activities	99,903	90,193
	-----	-----
Investing Activities		
Proceeds from sale of investments in securities	77,997	33,331
Cash from sale of discontinued operations - net of cash sold	107,633	-
Additions to investments	(43,405)	(63,110)
Additions to plant	(73,053)	(46,845)
Acquisition of subsidiaries - net of cash acquired	(129,083)	-
Changes to other assets - net	(447)	(16,776)
	-----	-----
Cash for investing activities	(60,358)	(93,400)
	-----	-----
Financing Activities		
Issuance of common stock	2,158	818
Issuance of long-term debt	18,805	20,632
Changes in notes payable	10,006	23,980
Reductions of long-term debt	(9,074)	(7,221)
Dividends on preferred and common stock	(45,974)	(45,120)
	-----	-----
Cash for financing activities	(24,079)	(6,911)
	-----	-----
Change in Cash and Cash Equivalents	15,466	(10,118)
Cash and Cash Equivalents at Beginning of Period	27,001	31,674
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 42,467	\$21,556
	=====	=====
Supplemental Cash Flow Information		
Cash paid during the period for		
Interest (net of capitalized)	\$ 40,249	\$40,408
Income taxes	\$ 20,534	\$16,248

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

The accompanying unaudited consolidated financial statements and notes should be read in conjunction with the Company's 1994 Form 10-K. In the opinion of the Company, all adjustments necessary for a fair statement of the results for the interim periods have been included. The results of operations for an interim period may not give a true indication of results for the year. The income statement information for prior periods has been reclassified to reflect the discontinuance of the paper and pulp business. Financial statement information may not be comparable between periods due to the purchase of ADESA on July 1, 1995.

Note 1. Business Segments

Thousands

	Consolidated -----	Electric Utility Operations -----		Water Utility Operations -----
		Electric -----	Coal ----	
Quarter Ended September 30, 1995 -----				
Operating revenue and income	\$186,121	\$122,032	\$7,680	\$17,606
Operation and other expense	136,609	86,523	5,687	12,273
Depreciation and amortization expense	14,942	9,581	382	2,594
Interest expense	13,246	5,027	342	2,735
Income from equity investments	2,339	-	-	-
Operating income (loss) from continuing operations	23,663	20,901	1,269	4
Income tax expense (benefit)	7,978	8,809	318	(161)
Income from continuing operations	15,685	\$ 12,092 =====	\$ 951 =====	\$ 165 =====
Income from discontinued operations	33			
Net income	\$ 15,718 =====			
Quarter Ended September 30, 1994 -----				
Operating revenue and income	\$140,755	\$104,032	\$6,651	\$17,289
Operation and other expense	100,325	75,228	4,888	11,833
Depreciation and amortization expense	11,602	8,858	318	2,348
Interest expense	11,439	4,912	265	3,150
Income from equity investments	1,247	-	-	-
Operating income (loss) from continuing operations	18,636	15,034	1,180	(42)
Income tax expense (benefit)	4,336	6,169	326	2
Income (loss) from continuing operations	14,300	\$ 8,865 =====	\$ 854 =====	\$ (44) =====

Income from discontinued operations	899

Net income	\$ 15,199
	=====

	Auto Redistribution Operations	Investments and Corporate Services	
	-----	-----	-----
		Portfolio, Reinsurance & Other	Real Estate
		-----	-----
Quarter Ended September 30, 1995			

Operating revenue and income	\$30,381	\$4,049	\$4,373
Operation and other expense	25,650	2,755	3,721
Depreciation and amortization expense	2,291	34	60
Interest expense	907	4,234	1
Income from equity investments	-	2,339	-
	-----	-----	-----
Operating income (loss) from continuing operations	1,533	(635)	591
Income tax expense (benefit)	856	(2,136)	292
	-----	-----	-----
Income from continuing operations	\$ 677	\$1,501	\$ 299
	=====	=====	=====
Income from discontinued operations			
Net income			

Quarter Ended September 30, 1994			

Operating revenue and income	\$ -	\$4,903	\$7,880
Operation and other expense	-	2,621	5,755
Depreciation and amortization expense	-	42	36
Interest expense	-	3,108	4
Income from equity investments	-	1,247	-
	-----	-----	-----
Operating income (loss) from continuing operations	-	379	2,085
Income tax expense (benefit)	-	(1,830)	(331)
	-----	-----	-----
Income (loss) from continuing operations	\$ -	\$2,209	\$2,416
	=====	=====	=====
Income from discontinued operations			
Net income			

Note 1. Business Segments (Continued)
Thousands

	Consolidated -----	Electric Utility Operations -----		Water Utility Operations -----
		Electric -----	Coal ----	
Nine Months Ended September 30, 1995 -----				
Operating revenue and income	\$ 480,144	\$346,802	\$20,777	\$ 52,422
Operation and other expense	354,070	254,626	15,642	36,248
Depreciation and amortization expense	40,269	28,734	1,115	7,846
Interest expense	35,735	15,284	900	7,919
Loss from equity investments	(1,570)	-	-	-
Operating income (loss) from continuing operations	48,500	48,158	3,120	409
Income tax expense (benefit)	(1,915)	20,431	776	(101)
Income from continuing operations	50,415	<u>\$ 27,727</u>	<u>\$ 2,344</u>	<u>\$ 510</u>
Income from discontinued operations	2,874			
Net income	<u>\$ 53,289</u>			
Total assets	\$1,932,822	\$933,749	\$33,435	\$326,177
Accumulated depreciation	\$ 617,532	\$497,125	\$18,340	\$100,904
Accumulated amortization	\$ 1,949	\$ -	\$ -	\$ -
Construction work in progress	\$ 69,135	\$ 12,488	\$ -	\$ 20,258
Nine Months Ended September 30, 1994 -----				
Operating revenue and income	\$ 420,156	\$318,111	\$19,919	\$ 54,822
Operation and other expense	308,571	233,307	15,163	35,269
Depreciation and amortization expense	34,393	26,173	979	7,071
Interest expense	33,434	15,181	762	8,913
Income from equity investments	4,296	-	-	-
Operating income (loss) from continuing operations	48,054	43,450	3,015	3,569
Income tax expense (benefit)	11,500	18,421	817	1,357
Income (loss) from continuing operations	36,554	<u>\$ 25,029</u>	<u>\$ 2,198</u>	<u>\$ 2,212</u>
Income from discontinued operations	983			

Net income	\$ 37,537			
	=====			
Total assets	\$1,786,356	\$908,798	\$27,816	\$354,365
Accumulated depreciation	\$ 584,505	\$467,426	\$17,300	\$ 95,968
Accumulated amortization	\$ 362	\$ -	\$ -	\$ -
Construction work in progress	\$ 44,229	\$ 29,269	\$ -	\$ 14,960

	Auto Redistribution Operations	Investments and Corporate Services	
	-----	-----	-----
		Portfolio, Reinsurance & Other	Real Estate
		-----	-----
Nine Months Ended September 30, 1995			

Operating revenue and income	\$30,381	\$ 16,686	\$ 13,076
Operation and other expense	25,650	7,557	14,347
Depreciation and amortization expense	2,291	103	180
Interest expense	907	10,722	3
Loss from equity investments	-	(1,570)	-
	-----	-----	-----
Operating income (loss) from continuing operations	1,533	(3,266)	(1,454)
Income tax expense (benefit)	856	(6,746)	(17,131)
	-----	-----	-----
Income from continuing operations	\$ 677	\$ 3,480	\$ 15,677
	=====	=====	=====
Income from discontinued operations			

Net income			
Total assets	\$343,267	\$244,595	\$ 51,599
Accumulated depreciation	\$ 957	\$ 206	\$ -
Accumulated amortization	\$ 1,297	\$ -	\$ 652
Construction work in progress	\$ 36,389	\$ -	\$ -

Nine Months Ended September 30, 1994			

Operating revenue and income	\$ -	\$ 1,078	\$ 26,226
Operation and other expense	-	7,994	16,838
Depreciation and amortization expense	-	44	126
Interest expense	-	8,569	9
Income from equity investments	-	4,296	-
	-----	-----	-----
Operating income (loss) from continuing operations	-	(11,233)	9,253

Income tax expense (benefit)	-	(9,095)	-
	-----	-----	-----
Income (loss) from continuing operations	\$ -	\$ (2,138)	\$ 9,253
	=====	=====	=====
Income from discontinued operations			
Net income			
Total assets	\$ -	\$302,659	\$ 35,036
Accumulated depreciation	\$ -	\$ 42	\$ -
Accumulated amortization	\$ -	\$ -	\$ 362
Construction work in progress	\$ -	\$ -	\$ -

Purchased July 1, 1995.

Includes an \$8.5 million pre-tax provision for exiting the equipment manufacturing business.

Includes \$3.7 million of minority interest relating to the recognition of tax benefits. (See Note 4.)

Includes \$18.4 million of tax benefits. (See Note 4.)

Includes a \$10.1 million pre-tax loss from the write-off of an investment.

Includes \$3.6 million of income related to escrow funds.

Includes \$157.7 million related to operations which were discontinued in 1995.

Includes \$3.8 million related to operations which were discontinued in 1995.

Note 2. Securities Investments

Summary of Securities	September 30, 1995				December 31, 1994			
	Cost	Gross Unrealized		Fair Value	Cost	Gross Unrealized		Fair Value
		Gain	(Loss)			Gain	(Loss)	

In Thousands								
Trading				\$ 53,919				\$ 74,046
Available-for-sale								
Common stock	\$ 2,599	\$ -	\$ (597)	2,002	\$ 10,636	\$ 86	\$(1,748)	8,974
Preferred stock	74,356	2,706	(1,901)	75,161	117,860	2,747	(3,893)	116,714
	-----	-----	-----	-----	-----	-----	-----	-----
	\$76,955	\$2,706	\$(2,498)	77,163	\$128,496	\$2,833	\$(5,641)	125,688
Held-to-maturity								
Leveraged preferred stock	\$ 2,130			2,130	\$ 2,013			2,013
				-----				-----
Total securities investments				\$133,212				\$201,747
				=====				=====

The net unrealized gain (loss) on securities investments on the balance sheet includes the Company's share of Capital Re's unrealized holding gains of \$680,000 at September 30, 1995, and \$3.8 million of unrealized holding losses at December 31, 1994.

	Quarter Ended		Nine Months Ended	
	September 30, 1995	September 30, 1994	September 30, 1995	September 30, 1994

Trading securities				
Change in net unrealized holding gain included in earnings	\$ 70	\$ 941	\$ 850	\$ 1,007
Available-for-sale securities				
Proceeds from sales	\$18,978	\$15,908	\$77,997	\$33,331
Gross realized gains	\$ 557	\$ 337	\$ 2,131	\$ 580
Gross realized (losses)	\$ (949)	\$ (616)	\$(2,554)	\$(1,299)

Note 3. Square Butte Purchased Power Contract

The Company has a contract to purchase power and energy from Square Butte. Under the terms of the contract which extends through 2007, the Company is purchasing 71 percent of the output from a generating plant which is capable of generating up to 470 MW. Reductions to about 49 percent of the output are provided for in the contract and, at the option of Square Butte, could begin after a five-year advance notice to the Company.

The cost of the power and energy is a proportionate share of Square Butte's fixed obligations and variable operating costs, based on the percentage of the total output purchased by the Company. The annual fixed obligations of the Company to Square Butte are \$19.4 million from 1995 through 1999. The variable operating costs are not incurred unless production takes place. The Company is responsible for paying all costs and expenses of Square Butte if not paid by Square Butte when due. These obligations and responsibilities of the Company are absolute and unconditional whether or not any power is actually delivered to the Company.

Note 4. Income Tax Expense

Schedule of Income Tax Expense (Benefit)	Quarter Ended		Nine Months Ended	
	September 30, 1995	1994	September 30, 1995	1994

In Thousands				
Charged to continuing operations				
Current tax				
Federal	\$ 5,206	\$ 3,976	\$ 9,072	\$ 10,153
State	2,574	1,543	4,195	3,729
	-----	-----	-----	-----
	7,780	5,519	13,267	13,882
	-----	-----	-----	-----
Deferred tax				
Federal	1,200	(21)	(11,100)	259
State	(590)	(253)	(2,645)	(830)
	-----	-----	-----	-----
	610	(274)	(13,745)	(571)
	-----	-----	-----	-----
Deferred tax credits	(412)	(909)	(1,437)	(1,811)
	-----	-----	-----	-----
Income tax - continuing operations	7,978	4,336	(1,915)	11,500
	-----	-----	-----	-----
Charged to discontinued operations				
Current tax				
Federal	-	(760)	13,396	(3,398)
State	-	(220)	4,192	(1,006)
	-----	-----	-----	-----
	-	(980)	17,588	(4,404)
	-----	-----	-----	-----
Deferred tax				
Federal	-	1,269	(11,851)	3,969
State	-	378	(2,895)	1,186
	-----	-----	-----	-----
	-	1,647	(14,746)	5,155
	-----	-----	-----	-----
Income tax - discontinued operations	-	667	2,842	751
	-----	-----	-----	-----
Total income tax expense	\$ 7,978	\$ 5,003	\$ 927	\$ 12,251
	=====	=====	=====	=====

In March 1995 based on the results of a project which analyzed the economic feasibility of realizing future tax benefits available to the Company, the board of directors of Lehigh directed the management of Lehigh to dispose of Lehigh's assets in a manner that would maximize utilization of tax benefits. With this new directive in place, Lehigh recognized \$18.4 million of income in the first quarter of 1995 by reducing a portion of the valuation reserve that offsets the deferred tax assets. The Company's portion of that income is \$14.7 million, or 52 cents per share.

Note 5. Discontinued Operations

On June 30, 1995, Minnesota Power sold its interest in the paper and pulp business to CPI for \$118 million in cash, plus CPI's assumption of certain debt and lease obligations. The Company is still committed to a maximum guaranty of \$90 million to ensure a portion of LSPI's \$33.4 million annual lease obligation for equipment under an operating lease extending to 2012. However, CPI has agreed to indemnify the Company for any payments the Company may make as a result of the Company's existing obligation relating to the LSPI operating lease.

The financial results of the paper and pulp business including the loss on disposition have been accounted for as discontinued operations.

Summary of Discontinued Operations	Quarter Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994

In Thousands				
Operating revenue and income		\$15,068	\$44,324	\$38,541
		=====	=====	=====
Equity in earnings		\$ 897	\$ 7,496	\$ 1,731
		=====	=====	=====
Income from operations		\$ 1,566	\$ 7,476	\$ 1,734
Income tax expense		667	3,117	751
		-----	-----	-----
		899	4,359	983
		-----	-----	-----
Loss on disposal	\$33	-	(1,760)	-
Income tax benefit	-	-	275	-
	---	-----	-----	-----
	33	-	(1,485)	-
	---	-----	-----	-----
Income from discontinued operations	\$33	\$ 899	\$ 2,874	\$ 983
	===	=====	=====	=====

Note 6. Acquisition of ADESA

On July 1, 1995, Minnesota Power became an 80 percent owner of ADESA for \$167 million in cash. The Company accounted for the acquisition as a purchase. The transaction resulted in additional goodwill of approximately \$115 million, which will be amortized over a 40 year period. The Company has included ADESA in its consolidated financial statements since the date of acquisition.

Put and call agreements with ADESA's four top managers provide ADESA management the right to sell to Minnesota Power, and Minnesota Power the right to purchase, ADESA management's 20 percent retained ownership interest in ADESA, in increments during the years 1997, 1998 and 1999, at a price based on ADESA's financial performance.

The following unaudited pro forma summary presents the consolidated results of operations of the Company for the nine months ended September 30, 1995 and 1994, as if the acquisition of ADESA had occurred on January 1 of the respective periods. The information is not necessarily indicative of the financial position or operating results that would have occurred had the acquisition been consummated at the beginning of the respective periods, nor is it necessarily indicative of future operating results. It has been prepared from, and should be read in conjunction with, the historical consolidated financial statements and related notes thereto of Minnesota Power and ADESA. To prepare the pro forma data, certain adjustments have been made which include: (i) the reduction of investment income resulting from utilization of the Company's cash and investments to finance the acquisition; (ii) the amortization of goodwill and other intangible assets; (iii) the change in depreciation expense resulting from purchase accounting; and (iv) the tax effects of the adjustments.

Summary Pro Forma Financial Information	Nine Months Ended September 30,	
	1995	1994

In Thousands		
Operating revenue and income	\$536,972 =====	\$487,461 =====
Income from continuing operations	\$ 49,721 =====	\$ 37,274 =====
Net income	\$ 52,595 =====	\$ 38,257 =====
Earnings per share of common stock from continuing operations	\$ 1.66 =====	\$ 1.24 =====
Total earnings per share of common stock	\$ 1.76 =====	\$ 1.27 =====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Minnesota Power has operations in four business areas: (1) electric utility operations, which include electric, gas and coal mining operations; (2) water utility operations, which include water and wastewater; (3) an auto redistribution business acquired on July 1, 1995; and (4) investments and corporate services, which include a financial guaranty reinsurance company, a real estate company and investments in securities.

Earnings per share of common stock for the quarter ended September 30, 1995, were 52 cents compared to 51 cents for the same period in 1994. Higher earnings in 1995 are primarily attributed to increased sales from the electric utility. Earnings from the securities portfolio and reinsurance business, combined with the addition of the auto redistribution business, also made positive contributions to 1995 earnings. Earnings in 1994 included the operations of the paper and pulp business which was sold on June 30, 1995.

Earnings per share of common stock for the nine months ended September 30, 1995, were \$1.79 compared to \$1.25 for the same period in 1994. The most significant factor contributing to the higher earnings in 1995 was the recognition of tax benefits associated with real estate which contributed 52 cents to earnings per share. Earnings in 1995 also reflect the improved performance of the Company's securities portfolio, the addition of the auto redistribution business as of July 1, 1995, increased electric sales to industrial customers and other power suppliers, and higher paper and pulp prices before the paper and pulp business was sold. These earnings were offset in part by lower water consumption levels in Florida and an 18 cent per share provision associated with exiting the truck-mounted lifting equipment business. Earnings in 1994 include 13 cents per share from the recognition of escrow funds associated with real estate and a 21 cent per share write-off of an investment.

Earnings Per Share	Quarter Ended		Nine Months Ended	
	September 30, 1995	September 30, 1994	September 30, 1995	September 30, 1994

Continuing Operations				
Electric Utility Operations				
Electric	\$.40	\$.30	\$.92	\$.84
Coal	.03	.03	.08	.08
	----	----	-----	-----
	.43	.33	1.00	.92
	----	----	-----	-----
Water Utility Operations	.01	.00	.02	.08
	----	----	-----	-----
Auto Redistribution Operations	.03	-	.03	-
	----	----	-----	-----
Investments and Corporate Services				
Portfolio and reinsurance	.07	.10	.33	(.02)
Real estate	.01	.09	.55	.33
Other operations	(.03)	(.04)	(.24)	(.09)
	----	----	-----	-----
	.05	.15	.64	.22
	----	----	-----	-----
Total Continuing Operations	.52	.48	1.69	1.22
	----	----	-----	-----
Discontinued Operations	-	.03	.10	.03
	----	----	-----	-----
Total Earnings Per Share	\$.52	\$.51	\$ 1.79	\$ 1.25
	=====	=====	=====	=====

Results of Operations

Comparison of the Quarter Ended September 30, 1995 and 1994.

Electric utility operations. Operating revenue and income from electric utility operations were higher in 1995 compared to 1994 primarily because of a 25 percent increase in kilowatt-hour sales. Although sales to all retail customers were higher, sales for resale were up 62 percent due to warm summer weather and increased demand from other power suppliers. Fuel and purchased power expenses were higher in 1995 due to increased demand for electricity. Operations expenses included higher scheduled maintenance costs and customer service expenses tempered by lower payroll costs associated with an early retirement offering to certain electric utility employees. Coal operations contributed net income of \$951,000 in 1995 and \$854,000 in 1994 to electric utility operations.

Revenue from electric sales to taconite customers accounted for 34 percent of operating revenue and income from electric utility operations in 1995 compared to 35 percent in 1994. Revenue from electric sales to paper and other wood products companies accounted for 12 percent of operating revenue and income from electric utility operations in 1995 compared to 14 percent in 1994.

Water utility operations. Operating revenue and income from water utility operations were up slightly in 1995 due to increased water sales in the Carolinas and Wisconsin. Sales in Florida were down in 1995 due in part to the December 1994 sale of SSU's Venice Gardens assets, abnormally high rainfall which reduced irrigation demand, and customer water conservation efforts. It is expected that the loss of customers as a result of the Venice Gardens sale will be offset when the purchase of Orange Osceola Utilities, Inc. is completed. The purchase, which was approved by the FPSC on October 10, 1995, is expected to close in late 1995.

In June 1995 SSU filed a request with the FPSC for an \$18.6 million annual increase in water and wastewater treatment rates. SSU requested interim rates of \$12.4 million (annualized) to be effective in October 1995. On October 6, 1995, the FPSC denied SSU's request for interim rates. Reasons for denial included the fact the FPSC was unable to determine interim rates based on stand-alone rates since SSU filed its request based on uniform rates, as well as concerns over projected financial information on which the request was based. However, the FPSC recognized the unfairness of denying interim rates based upon this reason when, at the time SSU filed its rate case, SSU was unaware of the need for inclusion in its filing of a stand-alone rate structure. On October 23, 1995, SSU filed an appeal with the Florida First District Court of Appeals of the FPSC's October 6, 1995, denial of SSU's request for interim rates based on uniform rates. SSU's appeal requests expedited consideration by the court. SSU also intends to refile in early November 1995 information which would permit an \$8 million to \$12 million (annualized) interim rate increase. The interim rates, if approved by the FPSC, would become effective within sixty days of the filing, subject to refund with interest.

Auto redistribution operations. The Company purchased an 80 percent interest in ADESA on July 1, 1995. Results from ADESA's auto redistribution operations are included for the first time in the Company's consolidated financial statements for the period ended September 30, 1995. Approximately 119,000 cars, in total, were sold at ADESA's 17 auction sites in the United States and Canada, which represents a 14 percent increase from the approximately 104,000 cars sold in the third quarter of 1994.

Investments and corporate services. In 1995 improved market conditions enhanced the securities portfolio and reinsurance business results. Securities investments totaling \$60 million

were sold to partially fund the July 1, 1995, purchase of ADESA. The lower income from real estate is due primarily to the timing of commercial real estate sales in Florida.

Discontinued operations. Operating results of the paper and pulp business as well as the disposition of that business have been included in discontinued operations.

Comparison of the Nine Months Ended September 30, 1995 and 1994.

Electric utility operations. Operating revenue and income from electric utility operations were higher in 1995 compared to 1994 due to an 11 percent increase in kilowatt-hour sales and to new rates in effect since June 1, 1995. Coal operations contributed \$2.3 million and \$2.2 million of net income in 1995 and 1994, respectively, to electric utility operations.

Revenue from electric sales to taconite customers accounted for 36 percent of operating revenue and income from electric utility operations in 1995 compared to 33 percent in 1994. During 1995 taconite customers purchased 22 percent more electricity from Minnesota Power than in 1994. Revenue from electric sales to paper and other wood products companies accounted for 13 percent of operating revenue and income from electric utility operations in 1995 compared to 14 percent in 1994.

Water utility operations. Operating revenue and income from water utility operations were down in 1995 due in part to the December 1994 sale of SSU's Venice Gardens assets, abnormally high rainfall which reduced irrigation demand and customer water conservation efforts. It is expected that the loss of customers as a result of the Venice Gardens sale will be offset when the purchase of Orange Osceola Utilities, Inc. is completed. The purchase, which was approved by the FPSC on October 10, 1995, is expected to close in late 1995.

Auto redistribution operations. Financial results from the auto redistribution operations reflect the three months of operations since the Company acquired ADESA on July 1, 1995.

Investments and corporate services. Earnings from investments and corporate services were higher in 1995 primarily due to the recognition of \$18.4 million of tax benefits by Lehigh, the Company's real estate business. In March 1995 based on the results of a project which analyzed the economic feasibility of realizing future tax benefits available to the Company, the board of directors of Lehigh directed the management of Lehigh to dispose of Lehigh's assets in a manner that would maximize utilization of tax benefits. The Company's portion of the tax benefits reflected in income is \$14.7 million. Earnings in 1994 include 13 cents per share from the recognition of escrow funds associated with Lehigh.

The performance of the Company's securities portfolio improved significantly over 1994 due to improved market conditions. Securities investments totaling \$60 million were sold to partially fund the July 1, 1995, purchase of ADESA. In the first quarter of 1994 the Company wrote off a \$10.1 million securities investment. In March 1995, the Company recorded a \$5 million after-tax provision in anticipation of exiting Reach All. The provision lowered 1995 earnings per share by 18 cents. It is expected that the liquidation of Reach All will be completed in late 1995.

Discontinued operations. Operating results of the paper and pulp business as well as the disposition of that business have been included in discontinued operations. Significantly higher paper and pulp prices increased earnings in 1995.

Liquidity and Financial Condition

Reference is made to the Consolidated Statement of Cash Flows for the nine months ended September 30, 1995 and 1994, for purposes of the following discussion.

Cash flow activities. Cash from operating activities was affected by a number of factors representative of normal operations and three months of auto distribution operations since the July 1, 1995, acquisition of ADESA.

Cash from investing activities included proceeds from the sale of the paper and pulp business and proceeds from the sale of a portion of the securities portfolio that were used to fund the purchase of ADESA on July 1, 1995.

Working capital, if and when needed, generally is provided by the sale of commercial paper. In addition, securities investments can be liquidated to provide funds for reinvestment in existing businesses or acquisition of new businesses, and approximately 900,000 original issue shares of common stock are available for issuance through the DRIP.

A substantial amount of ADESA's working capital is generated internally because payments made by vehicle purchasers are generally available to satisfy ADESA's payment obligations to vehicle sellers. ADESA pays the seller and deposits the purchaser's check only at the time title is delivered. A consequence of this sequence of events is that the ADESA check issued to the seller sometimes clears before the bank into which ADESA deposits the purchaser's check makes available the funds represented by that check. ADESA has an \$18 million line of credit to meet the short-term working capital requirements incident to this timing difference. ADESA also utilizes the line of credit in connection with factory sales. In factory sales, ADESA auctions vehicles provided by automobile manufacturers. ADESA generally is required to pay the manufacturers for the auctioned vehicles with electronic fund transfers before the checks received by ADESA from the purchasers clear.

ADESA, through its wholly-owned subsidiary, Automotive Finance Corporation (AFC), also offers short-term on-site financing for dealers to purchase automobiles at auctions in exchange for a security interest in those automobiles. The financing is provided through the earlier of the date the dealer sells the automobile or a general borrowing term of 30-60 days. As a result, AFC has a \$40 million revolving line of credit to meet its operational requirements.

Capital requirements. Consolidated capital expenditures for the nine months ended September 30, 1995, totaled \$73 million. These expenditures include \$32 million for electric utility operations, of which \$6.3 million was for coal operations, \$22 million for water utility operations, \$18 million for auto auction site relocation and development, and \$700,000 for the discontinued operations. Internally generated funds were the primary source for funding these expenditures.

PART II. OTHER INFORMATION

Item 5. Other Information

Reference is made to the Company's 1994 Form 10-K for background information on the following updates. Unless otherwise indicated, cited references are to the Company's 1994 Form 10-K.

Ref. Pages 3 and 4. - Table-Contract Status for Minnesota Power Firm Large Power Customers

Ref. 10-Q for the quarter ended March 31, 1995, Page 10.

Ref. 10-Q for the quarter ended June 30, 1995, Page 12.

Blandin Paper - On September 14, 1995, the MPUC approved an amendment for contract demand of between 39.8 MW and 43.7 MW and incremental demand of between 13.2 MW and 15.2 MW for the period April 1995 through October 1995.

Ref. Page 8. - First Paragraph and Ref. Page 12. - Fifth Paragraph

Ref. 10-Q for the quarter ended March 31, 1995, Page 11. - First Paragraph

Ref. 10-Q for the quarter ended June 30, 1995, Page 14. - Fourth Paragraph

FERC operating licenses for two of the Company's hydroelectric facilities are currently undergoing relicensing at the FERC. A final application to relicense the Pillager Project was filed with the FERC on May 12, 1995, and was officially accepted by the FERC on October 2, 1995. The FERC will next perform an environmental analysis of the Pillager Project, which will define the scope of further review and relicensing activity. On July 13, 1995, the FERC issued a thirty (30) year license to the Company for the St. Louis River Project, which license, if implemented, would reduce the economic benefits of the Project to the Company. The Company and other interested parties filed motions for rehearing on certain aspects of the licensing order. On October 5, 1995, the Company filed a motion for clarification of the status of the license and, in the alternative, for stay of the license conditions until a final, nonappealable order is issued by the FERC.

Ref. Page 8. - Fourth and Fifth Paragraphs

Ref. 10-Q for the quarter ended June 30, 1995, Page 14. - Second Paragraph

On August 24, 1995, the Firm Large Power Customers filed with the Minnesota Court of Appeals an appeal of the MPUC's May 1995 decision. On September 8, 1995, the Company requested that the MPUC order a partial stay of refunding until the legal proceedings are concluded. On October 26, 1995, the MPUC denied the Company's request. The Company expects to refund approximately \$5 million, including interest, in December 1995 to customers based on interim rate revenue collected during the period March 1, 1994 through May 31, 1995.

Ref. 10-Q for the quarter ended March 31, 1995, Page 12. - Second Paragraph

Ref. 10-Q for the quarter ended June 30, 1995, Page 14. - Last Paragraph

Of the 215 electric utility employees eligible for the early retirement plan, 178 employees accepted the early retirement offer representing a 12 percent reduction of the electric business workforce. The plan which has a cost of approximately \$15 million will be amortized over 3 years.

Ref. Page 12. - Fourth Paragraph

On August 30, 1995, Minnesota Power submitted a request to the Minnesota Pollution Control Agency (MPCA) to delete permit language requiring additional work that was scheduled to begin during the second quarter of 1995. A response to this request is expected from the MPCA in November 1995.

Ref. Page 14. - First Paragraph

On October 10, 1995, the FPSC approved the purchase by SSU of Orange Osceola Utilities, Inc. The purchase is expected to close in late 1995.

Ref. Page 14. - Last Paragraph

Ref. 8-K dated October 6, 1995, Page 1. - First and Second Paragraph

On October 19, 1995, the FPSC ordered SSU to refund, within 90 days of the date of the order, approximately \$10 million to customers who paid more since October 1993 under uniform rates than they would have paid under stand-alone rates. This action by the FPSC is in response to a decision by the Florida First District Court of Appeals issued on April 6, 1995, that the FPSC lacked statutory authority to approve the implementation of uniform rates in its 1993 Order absent a finding that the localities subject to the uniform rates were served by a functionally related system. The FPSC order does not permit SSU to collect \$10 million from customers who paid less under uniform rates. SSU believes that it is improper for the FPSC to order a refund to one group of customers without permitting SSU to recover the refund from the remaining customers because the First District Court of Appeals only addressed the issue of alleged over-payment by some service areas under the uniform rate design and not SSU's total revenue requirement. SSU intends to request FPSC reconsideration of the order, and if unsuccessful, believes it probable SSU will prevail on appeal.

Ref. Page 15. - Third Full Paragraph

Ref. 8-K dated July 12, 1995, Page 1. - Fourth Paragraph

Ref. 8-K dated October 6, 1995, Page 1. - Third Paragraph

On October 23, 1995, SSU filed an appeal with the Florida First District Court of Appeals of the FPSC's October 6, 1995, denial of SSU's request for interim rates based on uniform rates. SSU's appeal requests expedited consideration by the court. SSU also intends to refile in early November 1995 information which would permit an \$8 million to \$12 million interim rate increase on an annual basis based on stand-alone rates. If approved by the FPSC, the interim rates would become effective within sixty days of the filing, subject to refund with interest.

Ref. Page 15. - Last Paragraph

On July 31, 1995, the Circuit Court of South Carolina issued an order affirming the South Carolina Public Service Commission's (SCPSC) July 1994 order which denied Heater of Seabrook's request for an annual rate increase. An appeal to the South Carolina Supreme Court is expected to be filed in November 1995.

Ref. Page 16. - First Full Paragraph

On July 31, 1995, the Circuit Court of South Carolina issued an order vacating the SCPSC's December 1994 order which denied Upstate Heater Utilities' (Upstate) request for an annual rate increase. The case was remanded to the SCPSC for the establishment of rates which are fair and reasonable. On September 6, 1995, the SCPSC issued a second final order granting an annual increase of \$8,000. Upstate filed a motion for reconsideration on October 2, 1995.

Ref. Page 16. - Second Full Paragraph

Ref. 10-Q for the quarter ended June 30, 1995, Page 15. - Fourth Full Paragraph

On August 1, 1995, the North Carolina Utilities Commission (NCUC) issued an order granting Heater Utilities interim rates of \$262,000 annually. A final order is anticipated in November 1995.

On August 29, 1995, Heater Utilities filed with the NCUC for approval of a surcharge that would allow Heater Utilities to recover \$297,000 in additional testing costs required by the EPA in

excess of costs included in the current rate structure. A final order is anticipated in December 1995.

Ref. Page 16. - Third Full Paragraph

On October 12, 1995, the NCUC issued a final order granting Brookwood Water Corporation an \$85,000 annual increase.

Ref. Page 17. - Third Full Paragraph

SSU has determined that the toxicity test failures at the Woodmere facilities in Duval County, Florida are presumably due to inappropriate salt water test species. A request was filed with the EPA in February 1995 to change testing requirements to fresh water species for consistency with the Florida Department of Environmental Protection (FDEP) wastewater permit for the Woodmere facilities, since the body of water affected is a fresh water body. A permit renewal application will be filed with the FDEP in November 1995 since the permitting authority was delegated by the EPA to the FDEP in May 1995. It is expected that the FDEP will allow fresh water test species and that the EPA Administrative Order will no longer be applicable.

Ref. Page 17. - Fifth Full Paragraph

Two consent orders have resulted in total penalties of \$4,000 to date in 1995. One additional consent order with a proposed penalty of approximately \$9,500 is being negotiated with the FDEP.

Ref. Page 18. - Insert after First Paragraph

Auto Redistribution Operations

The grand opening of ADESA's new Boston auction site, the world's largest indoor auto-auction facility, was held on September 29, 1995. The site has 12 auction lanes and expects to sell 4,000 vehicles a week and eventually will employ about 500 full and part time employees.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

Report on Form 8-K/A dated and filed September 8, 1995, with respect to Item 7. Financial Statements and Exhibits.

Report on Form 8-K dated and filed October 6, 1995, with respect to Item 5. Other Information.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Minnesota Power & Light Company

(Registrant)

October 30, 1995

D. G. Gartzke

D. G. Gartzke
Senior Vice President - Finance
and Chief Financial Officer

October 30, 1995

Mark A. Schober

Mark A. Schober
Corporate Controller

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MINNESOTA POWER'S CONSOLIDATED BALANCE SHEET, STATEMENT OF INCOME, AND STATEMENT OF CASH FLOW FOR THE PERIOD ENDED SEPTEMBER 30, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	DEC-31-1995	JAN-01-1995	SEP-30-1995	PER-BOOK
1,098,315				
312,925				
277,612				
111,075				
	132,895			
	1,932,822			
				373,369
	0			
580,747	279,960			
	0			
				48,547
	622,417			
	89,450			
	0			
0				
10,703				
	0			
	0			
				0
508,376				
1,932,822				
480,144				
(1,915)				
394,339				
430,074				
48,500				
	1,304			
89,024				
35,735				
				53,289
2,400				
50,889				
43,574				
0				
99,903				
				1.79
				1.79

Includes tax benefits related to Lehigh Acquisition Corporation, Minnesota Power's real estate company.

Includes loss from equity investment and income from discontinued operations.