

American Water Works Company, Inc.  
Form 10-Q  
May 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

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 001-34028

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AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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Delaware	51-0063696
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
1025 Laurel Oak Road, Voorhees, NJ	08043
(Address of principal executive offices)	(Zip Code)

(856) 346-8200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant 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  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.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2014
Common Stock, \$0.01 par value per share	179,018,709 shares

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AMERICAN WATER WORKS COMPANY, INC.

REPORT ON FORM 10-Q

FOR THE QUARTER ENDED March 31, 2014

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In thousands, except per share data)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Property plant and equipment		
Utility plant—at original cost, net of accumulated depreciation of \$3,956,852 at March 31 and \$3,894,326 at December 31	\$ 12,328,427	\$ 12,244,359
Nonutility property, net of accumulated depreciation of \$233,997 at March 31 and \$228,465 at December 31	141,554	146,803
Total property, plant and equipment	12,469,981	12,391,162
Current assets		
Cash and cash equivalents	30,755	26,964
Restricted funds	28,585	28,505
Accounts receivable	259,306	244,568
Allowance for uncollectible accounts	(35,700 )	(33,953 )
Unbilled revenues	193,269	217,147
Income taxes receivable	10,100	5,778
Materials and supplies	35,242	32,973
Deferred income taxes	134,833	18,609
Other	31,604	28,408
Total current assets	687,994	568,999
Regulatory and other long-term assets		
Regulatory assets	847,788	858,465
Restricted funds	912	754
Goodwill	1,208,065	1,207,764
Other	60,081	60,998
Total regulatory and other long-term assets	2,116,846	2,127,981
<b>TOTAL ASSETS</b>	<b>\$ 15,274,821</b>	<b>\$ 15,088,142</b>

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

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American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In thousands, except per share data)

	March 31, 2014	December 31, 2013
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization		
Common stock (\$0.01 par value, 500,000 shares authorized, 178,976 shares outstanding at March 31 and 178,379 at December 31)	\$ 1,790	\$ 1,784
Paid-in-capital	6,272,277	6,261,396
Accumulated deficit	(1,427,809 )	(1,495,698 )
Accumulated other comprehensive income	(35,151 )	(34,635 )
Treasury stock	(10,020 )	(5,043 )
Total common stockholders' equity	4,801,087	4,727,804
Long-term debt		
Long-term debt	5,208,668	5,212,881
Redeemable preferred stock at redemption value	15,971	17,177
Total capitalization	10,025,726	9,957,862
Current liabilities		
Short-term debt	638,227	630,307
Current portion of long-term debt	14,901	14,174
Accounts payable	183,839	264,589
Taxes accrued	54,129	32,400
Interest accrued	93,655	52,087
Other	212,948	241,976
Total current liabilities	1,197,699	1,235,533
Regulatory and other long-term liabilities		
Advances for construction	370,938	375,729
Deferred income taxes	1,997,673	1,840,697
Deferred investment tax credits	26,059	26,408
Regulatory liabilities	380,398	373,319
Accrued pension expense	103,342	108,542
Accrued postretirement benefit expense	88,385	88,419
Other	37,688	38,929
Total regulatory and other long-term liabilities	3,004,483	2,852,043
Contributions in aid of construction	1,046,913	1,042,704
Commitments and contingencies (See Note 10)	—	—
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 15,274,821</b>	<b>\$ 15,088,142</b>

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

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American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Operating revenues	\$681,946	\$636,137
Operating expenses		
Operation and maintenance	329,275	312,203
Depreciation and amortization	106,078	99,649
General taxes	60,767	60,146
(Gain) loss on asset dispositions and purchases	(270 )	(94 )
Total operating expenses, net	495,850	471,904
Operating income	186,096	164,233
Other income (expenses)		
Interest, net	(73,560 )	(78,114 )
Allowance for other funds used during construction	2,201	3,396
Allowance for borrowed funds used during construction	1,483	1,653
Amortization of debt expense	(1,673 )	(1,581 )
Other, net	(1,541 )	(776 )
Total other income (expenses)	(73,090 )	(75,422 )
Income before income taxes	113,006	88,811
Provision for income taxes	44,883	31,168
Net income	\$68,123	\$57,643
Other comprehensive income (loss), net of tax:		
Pension plan amortized to periodic benefit cost:		
Prior service cost, net of tax of \$27 and \$28, respectively	41	43
Actuarial loss, net of tax of \$(5) and \$1,424, respectively	(7 )	2,228
Foreign currency translation adjustment	(550 )	(366 )
Other comprehensive income (loss)	(516 )	1,905
Comprehensive income	\$67,607	\$59,548
Basic earnings per share	\$0.38	\$0.32
Diluted earnings per share	\$0.38	\$0.32
Average common shares outstanding during the period		
Basic	178,539	177,327
Diluted	179,457	178,465
Dividends declared per common share	\$0.00	\$0.00

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

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American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows (Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$68,123	\$57,643
Adjustments		
Depreciation and amortization	106,078	99,649
Provision for deferred income taxes	44,919	29,446
Amortization of deferred investment tax credits	(349 )	(376 )
Provision for losses on accounts receivable	7,580	3,041
Allowance for other funds used during construction	(2,201 )	(3,396 )
Gain on asset dispositions and purchases	(270 )	(94 )
Pension and non-pension postretirement benefits	6,018	19,518
Stock-based compensation expense	2,711	2,042
Other, net	9,624	(8,160 )
Changes in assets and liabilities		
Receivables and unbilled revenues	3,307	18,775
Taxes receivable, including income taxes	(4,322 )	(3,543 )
Other current assets	(9,654 )	(12,803)
Pension and non-pension postretirement benefit contributions	(10,714 )	(29,766)
Accounts payable	(59,140 )	(37,278)
Taxes accrued, including income taxes	21,729	15,597
Interest accrued		