

American Water Works Company, Inc.

Form 10-Q

May 14, 2008

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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, 2008

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

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	51-0063696 (I.R.S. Employer Identification No.)
1025 Laurel Oak Road, Voorhees, NJ (Address of principal executive offices)	08043 (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 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 14, 2008
Common Stock, \$0.01 par value per share	160,000,000 shares

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REPORT ON FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2008

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(In thousands, except per share data)

	(Unaudited)	
	March 31, 2008	December 31, 2007
ASSETS		
Property, plant and equipment		
Utility plant - at original cost, net of accumulated depreciation of \$2,829,045 at March 31 and \$2,776,950 at December 31	\$ 9,296,315	\$ 9,199,909
Nonutility property, net of accumulated depreciation of \$63,207 at March 31 and \$60,587 at December 31	119,740	118,052
Total property, plant and equipment	9,416,055	9,317,961
Current assets		
Cash and cash equivalents	9,202	13,481
Restricted funds	2,149	3,258
Utility customer accounts receivable	136,261	147,640
Allowance for uncollectible accounts	(17,576)	(20,923)
Unbilled utility revenues	122,431	134,326
Non-regulated trade and other receivables, net	62,812	66,540
Taxes receivable, including federal income	23,111	23,111
Materials and supplies	28,961	27,458
Other	47,523	35,463
Total current assets	414,874	430,354
Regulatory and other long-term assets		
Regulatory assets	626,093	628,039
Restricted funds	8,997	10,252
Goodwill	1,706,952	2,456,952
Other	95,033	90,514
Total regulatory and other long-term assets	2,437,075	3,185,757
TOTAL ASSETS	\$ 12,268,004	\$ 12,934,072

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

Table of Contents**American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets**

(In thousands, except per share data)

	(Unaudited)	
	March 31, 2008	December 31, 2007
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stockholder's equity	\$ 3,809,423	\$ 4,542,046
Preferred stock without mandatory redemption requirements	4,568	4,568
Long-term debt		
Long-term debt	4,642,315	4,674,837
Redeemable preferred stock at redemption value	24,296	24,296
 Total capitalization	 8,480,602	 9,245,747
Current liabilities		
Short-term debt	368,137	220,514
Current portion of long-term debt	90,188	96,455
Accounts payable	119,209	168,886
Taxes accrued, including federal income	56,536	56,002
Interest accrued	85,248	50,867
Other	152,156	181,765
 Total current liabilities	 871,474	 774,489
Regulatory and other long-term liabilities		
Advances for construction	652,536	655,375
Deferred income taxes	644,343	638,918
Deferred investment tax credits	34,957	35,361
Regulatory liability-cost of removal	202,019	192,650
Accrued pension expense	275,536	290,722
Accrued postretirement benefit expense	156,178	158,552
Other	116,596	123,871
 Total regulatory and other long-term liabilities	 2,082,165	 2,095,449
Contributions in aid of construction	833,763	818,387
Commitments and contingencies		
 TOTAL CAPITALIZATION AND LIABILITIES	 \$ 12,268,004	 \$ 12,934,072

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

Table of Contents**American Water Works Company, Inc. and Subsidiary Companies****Consolidated Statements of Operations (Unaudited)**

(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2008	2007
Operating revenues	\$ 506,815	\$ 468,544
Operating expenses		
Operation and maintenance	311,261	282,613
Depreciation and amortization	63,916	64,627
General taxes	52,066	47,880
(Gain) loss on sale of assets	(70)	106
Impairment charge	750,000	
Total operating expenses, net	1,177,173	395,226
Operating (loss) income	(670,358)	73,318
Other income (deductions)		
Interest, net	(69,968)	(72,207)
Allowance for other funds used during construction	2,541	1,658
Allowance for borrowed funds used during construction	1,368	1,093
Amortization of debt expense	(1,318)	(1,219)
Preferred dividends of subsidiaries	(56)	(56)
Other, net	1,205	1,572
Total other income (deductions)	(66,228)	(69,159)
(Loss) income from continuing operations before income taxes	(736,586)	4,159
Provision for income taxes	(4,102)	1,730
(Loss) income from continuing operations	(732,484)	2,429
Income from discontinued operations, net of tax		256
Net (loss) income	\$ (732,484)	\$ 2,685
Basic earnings per common share:		
(Loss) income from continuing operations	\$ (4.58)	\$ 0.02
Income from discontinued operations, net of tax	\$	\$ 0.00
Net (loss) income	\$ (4.58)	\$ 0.02
Diluted earnings per common share:		
(Loss) income from continuing operations	\$ (4.58)	\$ 0.02

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Income from discontinued operations, net of tax	\$	\$	0.00
Net (loss) income	\$	(4.58)	\$ 0.02
Average common shares outstanding during the period:			
Basic		160,000	160,000
Diluted		160,000	160,000

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

Table of Contents**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,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (732,484)	\$ 2,685
Adjustments		
Depreciation and amortization	63,916	64,627
Impairment charge	750,000	
Amortization of removal costs net of salvage	10,553	9,018
Provision for deferred income taxes	5,474	4,736
Amortization of deferred investment tax credits	(404)	(406)
Provision for losses on utility accounts receivable	836	2,657
Allowance for other funds used during construction	(2,541)	(1,658)
(Gain) loss on sale of assets	(70)	106
Gain on early extinguishment of debt		(7,064)
Other, net	(31,033)	(15,579)
Changes in assets and liabilities		
Receivables and unbilled utility revenues	22,819	18,950
Other current assets	(13,563)	(24,370)
Accounts payable	(13,595)	(17,122)
Taxes accrued, including federal income	485	5,039
Interest accrued	34,381	11,375
Other current liabilities	(9,383)	1,217
Net cash provided by operating activities	85,391	54,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(188,437)	(166,115)
Proceeds from sale of assets and securities	82	1,145
Removal costs from property, plant and equipment retirements, net	(1,714)	(1,880)
Net restricted funds released	2,364	1,633
Net cash used in investing activities	(187,705)	(165,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt		617,253
Repayment of long-term debt	(35,915)	(266,553)
Net borrowings (repayments) under short-term debt agreements	166,740	(555,578)
Advances and contributions for construction, net of refunds	(13,673)	13,097
Change in cash overdraft position	(19,117)	
Capital contributions		550,000
Debt issuance costs		(3,054)
Redemption of preferred stock		(150)
Net cash provided by financing activities	98,035	