

AQUA AMERICA INC
Form 10-Q
May 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 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 March 31, 2015

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

For the transition period from _____ to _____

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-1702594
(I.R.S. Employer
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania
(Address of principal executive offices)

19010 -3489
(Zip Code)

(610) 527-8000
(Registrant's telephone number, including area code)

(Former Name, former address and former fiscal year, if changed since last report.)

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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 12(b)-2 of the Exchange Act.:

Large accelerated filer 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 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

April 23, 2015: 177,069,727

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AQUA AMERICA, INC. AND SUBSIDIARIES

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

(UNAUDITED)

	March 31, 2015	December 31, 2014
Assets		
Property, plant and equipment, at cost	\$ 5,764,467	\$ 5,707,017
Less: accumulated depreciation	1,331,323	1,305,027
Net property, plant and equipment	4,433,144	4,401,990
Current assets:		
Cash and cash equivalents	9,274	4,138
Accounts receivable and unbilled revenues, net	95,405	96,999
Deferred income taxes	35,202	26,849
Inventory, materials and supplies	12,591	12,788
Prepayments and other current assets	11,753	11,748
Total current assets	164,225	152,522
Regulatory assets	748,911	725,591
Deferred charges and other assets, net	54,864	52,084
Investment in joint venture	42,619	43,334
Funds restricted for construction activity	15	47
Goodwill	33,954	31,184
Total assets	\$ 5,477,732	\$ 5,406,752
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 179,041,925 and 178,591,254 as of March 31, 2015 and December 31, 2014	\$ 89,521	\$ 89,296
Capital in excess of par value	763,259	758,145
Retained earnings	869,203	849,952
Treasury stock, at cost, 1,978,968 and 1,837,984 shares as of March 31, 2015 and December 31, 2014	(46,592)	(42,838)
Accumulated other comprehensive income	863	788
Total Aqua America stockholders' equity	1,676,254	1,655,343
Noncontrolling interest	40	40
Total equity	1,676,294	1,655,383
Long-term debt, excluding current portion	1,594,980	1,560,655

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Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	47,042	58,615
Loans payable	33,062	18,398
Accounts payable	34,717	63,035
Accrued interest	20,477	12,437
Accrued taxes	31,653	31,462
Other accrued liabilities	38,168	41,388
Total current liabilities	205,119	225,335
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,041,418	1,000,791
Customers' advances for construction	75,833	78,301
Regulatory liabilities	273,873	278,317
Other	106,279	109,692
Total deferred credits and other liabilities	1,497,403	1,467,101
Contributions in aid of construction	503,936	498,278
Total liabilities and equity	\$ 5,477,732	\$ 5,406,752

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
Operating revenues	\$ 190,326	\$ 182,672
Operating expenses:		
Operations and maintenance	73,189	71,686
Depreciation	30,500	30,981
Amortization	849	1,133
Taxes other than income taxes	14,621	12,102
Total operating expenses	119,159	115,902
Operating income	71,167	66,770
Other expense (income):		
Interest expense, net	18,665	19,310
Allowance for funds used during construction	(1,182)	(1,167)
(Gain) loss on sale of other assets	(169)	348
Equity loss in joint venture	714	686
Income from continuing operations before income taxes	53,139	47,593
Provision for income taxes	4,594	5,192
Income from continuing operations	48,545	42,401
Discontinued operations:		
Income from discontinued operations before income taxes	-	772
Provision for income taxes	-	314
Income from discontinued operations	-	458
Net income attributable to common shareholders	\$ 48,545	\$ 42,859
Income from continuing operations per share:		
Basic	\$ 0.27	\$ 0.24
Diluted	\$ 0.27	\$ 0.24

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Income from discontinued operations per share:		
Basic	\$ -	\$ 0.00
Diluted	\$ -	\$ 0.00
Net income per common share:		
Basic	\$ 0.27	\$ 0.24
Diluted	\$ 0.27	\$ 0.24
Average common shares outstanding during the period:		
Basic	176,888	176,839
Diluted	177,792	177,810
Cash dividends declared per common share	\$ 0.165	\$ 0.152

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of dollars)

(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
Net income attributable to common shareholders	\$ 48,545	\$ 42,859
Other comprehensive income, net of tax:		
Unrealized holding gain on investments, net of tax expense of \$41 and \$38 for the three months ended March 31, 2015 and 2014, respectively	75	72
Reclassification adjustment for loss reported in net income, net of tax benefit of \$134 for the three months ended March 31, 2014 (1)	-	249
Comprehensive income	\$ 48,620	\$ 43,180

(1) Amount of pre-tax loss of \$383 reclassified from accumulated other comprehensive income to loss on sale of other assets on the consolidated statements of net income for the three months ended March 31, 2014.

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(In thousands of dollars, except per share amounts)

(UNAUDITED)

	March 31, 2015	December 31, 2014
Aqua America stockholders' equity:		
Common stock, \$.50 par value	\$ 89,521	\$ 89,296
Capital in excess of par value	763,259	758,145
Retained earnings	869,203	849,952
Treasury stock, at cost	(46,592)	(42,838)
Accumulated other comprehensive income		