

AQUA AMERICA INC
Form 10-Q
May 08, 2014
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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, 2014

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, 2014: 177,060,756

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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, 2014	December 31, 2013
Assets		
Property, plant and equipment, at cost	\$ 5,397,141	\$ 5,348,195
Less: accumulated depreciation	1,237,686	1,211,806
Net property, plant and equipment	4,159,455	4,136,389
Current assets:		
Cash and cash equivalents	17,508	5,058
Accounts receivable and unbilled revenues, net	89,892	94,704
Income tax receivable	1,211	7,873
Deferred income taxes	49,846	40,038
Inventory, materials and supplies	11,794	11,353
Prepayments and other current assets	11,129	11,081
Assets of discontinued operations held for sale	32,250	32,926
Total current assets	213,630	203,033
Regulatory assets	599,717	585,140
Deferred charges and other assets, net	51,253	50,290
Investment in joint venture	47,666	48,695
Funds restricted for construction activity	47	47
Goodwill	27,999	28,223
Total assets	\$ 5,099,767	\$ 5,051,817
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 178,316,578 and 177,928,922 as of March 31, 2014 and December 31, 2013	\$ 89,158	\$ 88,964
Capital in excess of par value	748,080	743,335
Retained earnings	745,161	729,272
Treasury stock, at cost, 1,258,279 and 1,178,323 shares in March 31, 2014 and December 31, 2013	(29,055)	(27,082)
Accumulated other comprehensive income	667	346
Total Aqua America stockholders' equity	1,554,011	1,534,835
Noncontrolling interest	223	208
Total equity	1,554,234	1,535,043

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Long-term debt, excluding current portion	1,498,040	1,468,583
Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	97,789	86,288
Loans payable	27,913	36,740
Accounts payable	31,547	65,815
Accrued interest	21,175	13,615
Accrued taxes	13,362	14,176
Other accrued liabilities	30,419	33,596
Liabilities of discontinued operations held for sale	29,037	29,649
Total current liabilities	251,242	279,879
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	901,391	866,211
Customers' advances for construction	73,728	73,892
Regulatory liabilities	278,283	281,014
Other	75,230	81,552
Total deferred credits and other liabilities	1,328,632	1,302,669
Contributions in aid of construction	467,619	465,643
Total liabilities and equity	\$ 5,099,767	\$ 5,051,817

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,	
	2014	2013
Operating revenues	\$ 182,672	\$ 178,552
Operating expenses:		
Operations and maintenance	71,686	67,794
Depreciation	30,981	29,045
Amortization	1,133	1,377
Taxes other than income taxes	12,102	13,398
Total operating expenses	115,902	111,614
Operating income	66,770	66,938
Other expense (income):		
Interest expense, net	19,310	19,275
Allowance for funds used during construction	(1,167)	(552)
Loss (gain) on sale of other assets	348	(92)
Equity loss in joint venture	686	656
Income from continuing operations before income taxes	47,593	47,651
Provision for income taxes	5,192	6,787
Income from continuing operations	42,401	40,864
Discontinued operations:		
Income from discontinued operations before income taxes	772	8,925
Provision for income taxes	314	3,224
Income from discontinued operations	458	5,701
Net income attributable to common shareholders	\$ 42,859	\$ 46,565
Income from continuing operations per share:		
Basic	\$ 0.24	\$ 0.23
Diluted	\$ 0.24	\$ 0.23
Income from discontinued operations per share:		
Basic	\$ 0.00	\$ 0.03
Diluted	\$ 0.00	\$ 0.03

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Net income per common share:

Basic	\$ 0.24	\$ 0.27
Diluted	\$ 0.24	\$ 0.26

Average common shares outstanding during the period:

Basic	176,839	175,415
Diluted	177,810	176,499

Cash dividends declared per common share	\$ 0.152	\$ 0.140
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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,	
	2014	2013
Net income attributable to common shareholders	\$ 42,859	\$ 46,565
Other comprehensive income, net of tax:		
Unrealized holding gain (loss) on investments, net of tax of \$38 and \$(5) for the three months ended, March 31, respectively	72	(9)
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	\$ 43,180	\$ 46,556

(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, 2014	December 31, 2013
Aqua America stockholders' equity:		
Common stock, \$.50 par value	\$ 89,158	\$ 88,964
Capital in excess of par value	748,080	743,335
Retained earnings	745,161	729,272
Treasury stock, at cost	(29,055)	(27,082)
Accumulated other comprehensive income	667	346
Total Aqua America stockholders' equity	1,554,011	1,534,835
Noncontrolling interest	223	208
Total equity	1,554,234	1,535,043
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range	Maturity Date Range	
0.00% to 0.99%	2023 to 2033	6,093
1.00% to 1.99%	2014 to 2035	26,911
2.00% to 2.99%	2024 to 2031	15,890
3.00% to 3.99%	2016 to 2047	166,794
4.00% to 4.99%	2020 to 2048	444,574
5.00% to 5.99%	2015 to 2043	256,514
6.00% to 6.99%	2015 to 2036	64,929
7.00% to 7.99%	2022 to 2027	34,900
8.00% to 8.99%	2021 to 2025	19,192
9.00% to 9.99%	2018 to 2026	28,500
10.40%	2018	6,000
		1,070,297
Notes payable to bank under revolving credit agreement, variable rate, due March 2017	72,000	-
Unsecured notes payable:		
Notes at 3.57% due 2027	50,000	50,000
Notes ranging from 4.62% to 4.87%, due 2014 through 2024	171,400	171,400

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Notes ranging from 5.01% to 5.95%, due 2015 through 2037	232,132	232,132
	1,595,829	1,554,871
Current portion of long-term debt	97,789	86,288
Long-term debt, excluding current portion	1,498,040	1,468,583
Total capitalization	\$ 3,052,274	\$ 3,003,626

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

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance At December 31, 2013	\$ 88,964	\$ 743,335	\$ 729,272	\$ (27,082)	\$ 346	\$ 208	\$ 1,535,043
Net income	-	-	42,859	-	-	15	42,874
Other comprehensive income, net of income tax of \$172	-	-	-	-	321	-	321
Dividends	-	-	(26,873)	-	-	-	(26,873)
Repurchase of stock (79,961 shares)	-	-	-	(1,973)	-	-	(1,973)
Equity compensation plan (198,920 shares)	100	(100)	-	-	-	-	-
Exercise of stock options (188,736, shares)	94	2,663	-	-	-	-	2,757
Stock-based compensation	-	1,322	(97)	-	-	-	1,225
Employee stock plan tax benefits	-	1,041	-	-	-	-	1,041
Other	-	(181)	-	-	-	-	(181)
Balance At March 31, 2014	\$ 89,158	\$ 748,080	\$ 745,161	\$ (29,055)	\$ 667	\$ 223	\$ 1,554,234

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 CASH FLOW

(In thousands of dollars)

(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 42,859	\$ 46,565
Income from discontinued operations	458	5,701
Income from continuing operations	42,401	40,864
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		