

AQUA AMERICA INC  
Form 10-Q  
August 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 June 30, 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

July 24, 2015: 176,805,350

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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)

	June 30, 2015	December 31, 2014
Assets		
Property, plant and equipment, at cost	\$ 5,879,250	\$ 5,707,017
Less: accumulated depreciation	1,356,963	1,305,027
Net property, plant and equipment	4,522,287	4,401,990
Current assets:		
Cash and cash equivalents	4,615	4,138
Accounts receivable and unbilled revenues, net	109,478	96,999
Deferred income taxes	35,207	26,849
Inventory, materials and supplies	13,589	12,788
Prepayments and other current assets	12,471	11,748
Total current assets	175,360	152,522
Regulatory assets	771,561	725,591
Deferred charges and other assets, net	54,577	52,084
Investment in joint venture	42,536	43,334
Funds restricted for construction activity	15	47
Goodwill	33,942	31,184
Total assets	\$ 5,600,278	\$ 5,406,752
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 179,102.369 and 178,591,254 as of June 30, 2015 and December 31, 2014	\$ 89,551	\$ 89,296
Capital in excess of par value	766,067	758,145
Retained earnings	897,261	849,952
Treasury stock, at cost, 2,145,974 and 1,837,984 shares as of June 30, 2015 and December 31, 2014	(50,795)	(42,838)
Accumulated other comprehensive income	843	788
Total Aqua America stockholders' equity	1,702,927	1,655,343
Noncontrolling interest	-	40
Total equity	1,702,927	1,655,383
Long-term debt, excluding current portion	1,660,526	1,560,655

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Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	38,503	58,615
Loans payable	36,306	18,398
Accounts payable	47,510	63,035
Accrued interest	13,077	12,437
Accrued taxes	25,261	31,462
Other accrued liabilities	42,738	41,388
Total current liabilities	203,395	225,335
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,079,678	1,000,791
Customers' advances for construction	84,037	78,301
Regulatory liabilities	269,200	278,317
Other	94,933	109,692
Total deferred credits and other liabilities	1,527,848	1,467,101
Contributions in aid of construction	505,582	498,278
Total liabilities and equity	\$ 5,600,278	\$ 5,406,752

See notes to consolidated financial statements beginning on page 9 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 June 30,	
	2015	2014
Operating revenues	\$ 205,760	\$ 195,307
Operating expenses:		
Operations and maintenance	79,746	70,375
Depreciation	31,049	31,226
Amortization	924	746
Taxes other than income taxes	13,795	13,026
Total operating expenses	125,514	115,373
Operating income	80,246	79,934
Other expense (income):		
Interest expense, net	18,900	19,093
Allowance for funds used during construction	(1,040)	(937)
Loss (gain) on sale of other assets	1	(140)
Equity loss in joint venture	84	1,251
Income from continuing operations before income taxes	62,301	60,667
Provision for income taxes	4,919	5,849
Income from continuing operations	57,382	54,818
Discontinued operations:		
Income from discontinued operations before income taxes	-	1,253
Provision for income taxes	-	502
Income from discontinued operations	-	751
Net income attributable to common shareholders	\$ 57,382	\$ 55,569
Income from continuing operations per share:		
Basic	\$ 0.32	\$ 0.31
Diluted	\$ 0.32	\$ 0.31

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Income from discontinued operations per share:

Basic	\$ -	\$ 0.00
Diluted	\$ -	\$ 0.00

Net income per common share:

Basic	\$ 0.32	\$ 0.31
Diluted	\$ 0.32	\$ 0.31

Average common shares outstanding during the period:

Basic	177,084	177,058
Diluted	177,913	178,012

Cash dividends declared per common share	\$ 0.165	\$ 0.152
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See notes to consolidated financial statements beginning on page 9 of this report.



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## AQUA AMERICA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands, except per share amounts)

(UNAUDITED)

	Six Months Ended June 30, 2015	2014
Operating revenues	\$ 396,086	\$ 377,979
Operating expenses:		
Operations and maintenance	152,935	142,061
Depreciation	61,549	62,207
Amortization	1,773	1,879
Taxes other than income taxes	28,416	25,128
	244,673	231,275
Operating income	151,413	146,704
Other expense (income):		
Interest expense, net	37,565	38,403
Allowance for funds used during construction	(2,222)	(2,104)
(Gain) loss on sale of other assets	(168)	208
Equity loss in joint venture	798	1,937
Income from continuing operations before income taxes	115,440	108,260
	9,513	11,041

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Provision for income taxes				
Income from continuing operations		105,927		97,219
Discontinued operations:				
Income from discontinued operations before income taxes		-		2,025
Provision for income taxes		-		816
Income from discontinued operations		-		1,209
Net income attributable to common shareholders	\$	105,927	\$	98,428
Income from continuing operations per share:				
Basic	\$	0.60	\$	0.55
Diluted	\$	0.60	\$	0.55
Income from discontinued operations per share:				
Basic	\$	-	\$	0.01
Diluted	\$	-	\$	0.01
Net income per common share:				
Basic	\$	0.60	\$	0.56
Diluted	\$	0.60	\$	0.55
Average common shares outstanding during the period:				
Basic		176,987		176,949
Diluted		177,818		177,868
Cash dividends declared per common share	\$	0.330	\$	0.304
See notes to consolidated financial statements beginning on page 9 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to common shareholders	\$ 57,382	\$ 55,569	\$ 105,927	\$ 98,428
Other comprehensive income, net of tax:				
Unrealized holding (loss) gain on investments, net of tax (benefit) expense of \$(11) and \$68 for the three months and \$29 and \$106 for the six months ended June 30, 2015 and 2014, respectively	(21)	126	55	198
Reclassification adjustment for loss reported in net income, net of tax benefit of \$134 for the six months ended June 30, 2014 (1)	-	-	-	249
Comprehensive income	\$ 57,361	\$ 55,695	\$ 105,982	\$ 98,875

(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 six months ended June 30, 2014.

See notes to consolidated financial statements beginning on page 9 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)

	June 30, 2015	December 31, 2014
Aqua America stockholders' equity:		
Common stock, \$.50 par value	\$ 89,551	\$ 89,296
Capital in excess of par value	766,067	758,145
Retained earnings	897,261	849,952
Treasury stock, at cost	(50,795)	(42,838)
Accumulated other comprehensive income	843	788
Total Aqua America stockholders' equity	1,702,927	1,655,343
Noncontrolling interest	-	40
Total equity	1,702,927	1,655,383
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range	Maturity Date Range	
0.00% to 0.99%	2023 to 2033	5,288
1.00% to 1.99%	2016 to 2035	23,926
2.00% to 2.99%	2024 to 2031	16,623
3.00% to 3.99%	2016 to 2047	189,674
4.00% to 4.99%	2020 to 2054	483,971
5.00% to 5.99%	2016 to 2043	221,881
6.00% to 6.99%	2015 to 2036	64,954
7.00% to 7.99%	2022 to 2027	34,097
8.00% to 8.99%	2021 to 2025	18,709
9.00% to 9.99%	2018 to 2026	27,800
10.00% to 10.99%	2018	6,000
		1,092,923
Notes payable to bank under revolving credit agreement, variable rate, due 2017		72,158
Unsecured notes payable:		72,000

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Bank notes at 1.921% and 1.975% due 2017 and 2018	100,000	50,000
Notes at 3.57% and 3.59% due 2027 and 2030	120,000	50,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024	144,400	144,400
Notes ranging from 5.20% to 5.95%, due 2016 through 2037	169,548	187,548
Total long-term debt	1,699,029	1,619,270
Current portion of long-term debt	38,503	58,615
Long-term debt, excluding current portion	1,660,526	1,560,655
Total capitalization	\$ 3,363,453	\$ 3,216,038

See notes to consolidated financial statements beginning on page 9 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(In thousands of dollars)

(UNAUDITED)