

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

AMERICAN WATER WORKS CO INC

CIK: **318819** | IRS No.: **510063696** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-03437** | Film No.: **94527819**
SIC: **4941** Water supply

Mailing Address
07

Business Address
1025 LAUREL OAK RD
VOORHEES NJ 08043
6093468200

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 1994

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 1-3437-2

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware 51-0063696
(State or other jurisdiction of (I.R.S. Employer Identification
incorporation or organization) No.)

1025 Laurel Oak Road, Voorhees, New Jersey 08043

(Address of principal executive offices)
(Zip Code)

(609) 346-8200

(Registrant's telephone number, including area code)

Not Applicable

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

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

At May 1, 1994, the number of shares of common stock, \$1.25 par value, outstanding was 31,617,706 shares.

No exhibits are filed with this report and there is no exhibit index.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES
Consolidated Statements of Income and Retained Earnings
(Unaudited)
(In thousands, except per share amounts)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
CONSOLIDATED INCOME		
Operating revenues	\$177 659	\$155 472
	-----	-----
Operating expenses		
Operation and maintenance	97 148	81 987
Depreciation and amortization	17 878	15 544
General taxes	18 747	16 789
State income taxes	1 108	1 132
Federal income taxes	5 963	4 739
	-----	-----
	140 844	120 191
	-----	-----
Operating income	36 815	35 281
Allowance for other funds used during construction	1 105	741
Other income	385	165
	-----	-----

	38 305	36 187
	-----	-----
Income deductions		
Interest	26 720	23 461
Allowance for borrowed funds used during construction	(741)	(529)
Amortization of debt expenses	293	500
Preferred dividends of subsidiaries	972	1 133
Other deductions	631	1 461
	-----	-----
	27 875	26 026
	-----	-----
Net income	10 430	10 161
Dividends on preferred stocks	996	1 002
	-----	-----
Net income to common stock	\$ 9 434	\$ 9 159
	=====	=====
Average shares of common stock outstanding	31 305	31 044
Earnings per common share on average shares outstanding	\$.30	\$.30
	===	===
CONSOLIDATED RETAINED EARNINGS		
Balance at beginning of period	\$578 593	\$538 332
Add - net income	10 430	10 161
	-----	-----
	589 023	548 493
	-----	-----
Deduct - dividends		
Preferred stock	882	888
Preference stock	114	114

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Common stock - \$.27 in 1994;
\$.25 in 1993

	8 439	7 759
	-----	-----
	9 435	8 761
	-----	-----
Balance at end of period	\$579 588	\$539 732
	=====	=====

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AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet (Unaudited)
(In thousands)

<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
<S>	<C>	<C>
ASSETS		
Property, plant and equipment		
Utility plant - at original cost less accumulated depreciation	\$2 457 354	\$2 444 277
Utility plant acquisition adjustments	41 008	40 689
Other utility plant adjustments	234	246
Non-utility property, net of accumulated depreciation	20 977	21 224
Excess of cost of investments in subsidiaries over book equity at acquisition	22 732	22 709
	-----	-----
	2 542 305	2 529 145
	-----	-----
Current assets		
Cash and cash equivalents	46 536	52 979
Temporary investments-at cost plus accrued interest	670	399
Customer accounts receivable	44 669	46 795
Allowance for uncollectible accounts	(1 042)	(1 107)
Unbilled revenues	56 883	57 298
Miscellaneous receivables	7 677	7 033
Materials and supplies	10 356	8 965
Deferred vacation pay	10 367	8 517
Other	8 477	8 776
	-----	-----
	184 593	189 655
	-----	-----
Deferred debits and other long-term assets		
Regulatory asset-income taxes recoverable through rates	202 933	198 744
Deferred pension expense	15 163	13 437
Debt and preferred stock expense	15 610	15 552
Tank painting costs	7 664	7 906
Other	38 102	39 572
	-----	-----
	279 472	275 211
	-----	-----

\$3 006 370

\$2 994 011

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AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet (Unaudited)
(In thousands)

<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
<S>	<C>	<C>
CAPITAL AND LIABILITIES		
Capital		
Common stock	\$ 39 264	\$ 39 055
Paid-in capital	42 083	37 627
Retained earnings	579 588	578 593
	-----	-----
Common stockholders' equity	660 935	655 275
Preferred stocks with mandatory redemption requirements	40 000	40 000
Preferred stocks without mandatory redemption requirements	11 673	11 673
Preferred stocks of subsidiaries with mandatory redemption requirements	44 939	46 515
Preferred stocks of subsidiaries without mandatory redemption requirements	6 301	6 302
Long-term debt		
American Water Works Company, Inc.	131 000	131 000
Subsidiaries	1 121 770	1 056 404
	-----	-----
	2 016 618	1 947 169
	-----	-----
Current liabilities		
Bank debt	118 911	193 620
Current portion of long-term debt	10 394	5 405
Accounts payable	22 983	31 644
Taxes accrued, including federal income	19 847	11 798
Interest accrued	30 577	23 226
Accrued vacation pay	10 738	8 835
Other	20 754	27 852

	-----	-----
	234 204	302 380
	-----	-----
Deferred credits and other long-term liabilities		
Advances for construction	124 087	125 031
Deferred taxes	317 628	309 204
Regulatory liability-income taxes refundable through rates	45 608	45 942
Deferred investment tax credits	41 325	41 644
Other	41 470	38 146
	-----	-----
	570 118	559 967
	-----	-----
Contributions in aid of construction	185 430	184 495
	-----	-----
	\$3 006 370	\$2 994 011
	=====	=====

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AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES
Consolidated Statement of Cash Flows (Unaudited)
(In thousands)

<CAPTION>

	Three Months Ended March 31,	
	----- 1994	----- 1993
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10 430	\$ 10 161
Adjustments		
Depreciation and amortization	17 878	15 544
Provision for deferred income taxes	3 664	2 790
Provision for losses on accounts receivable	740	632
Allowance for other funds used during construction	(1 105)	(741)
Employee benefits funding in excess of expense	(321)	2 738
Deferred tank painting costs	(41)	(13)
Deferred rate case expense	(303)	(700)
Amortization of deferred charges	2 224	1 794
Other, net	203	(1 006)
Changes in assets and liabilities		
Accounts receivable	677	1 720
Unbilled revenues	415	(264)
Other current assets	(1 092)	1 286
Accounts payable	(8 661)	(9 915)
Taxes accrued, including federal income	8 049	5 051

Interest accrued	7 351	2 170
Other current liabilities	(7 098)	(4 911)
	-----	-----
Net cash from operating activities	33 010	26 336
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(32 003)	(29 185)
Allowance for other funds used during construction	1 105	741
Proceeds from the disposition of property, plant, and equipment	359	692
Removal costs from property, plant, and equipment retirements	(818)	(718)
Funds restricted for construction activity	2 035	123
Temporary investments	(271)	100
	-----	-----
Net cash used in investing activities	(29 593)	(28 247)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	70 600	57 500
Proceeds from common stock	4 019	
Net borrowings (repayments) under line-of-credit agreements	(74 709)	16 406
Advances and contributions for construction, net of refunds	1 660	3 686
Debt and stock issuance costs	(1 051)	(1 075)
Repayment of long-term debt	(245)	(86 088)
Redemption of preferred stocks	(1 577)	(306)
Dividends paid	(8 557)	(8 306)
	-----	-----
Net cash used in financing activities	(9 860)	(18 183)
	-----	-----
Net decrease in cash and cash equivalents	(6 443)	(20 094)
Cash and cash equivalents at beginning of period	52 979	29 113
	-----	-----
Cash and cash equivalents at end of period	\$ 46 536	\$ 9 019
	=====	=====

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Cash paid during the period for:

Interest, net of capitalized amount	\$ 19 773	\$ 21 525
	=====	=====
Income taxes	\$ 1 518	\$ 1 304
	=====	=====

Common stock issued in lieu of cash in connection with the Dividend Reinvestment and Stock Purchase Plan and the Savings Plan for Employees totalled \$1,053 in 1994 and \$455 in 1993. Dividends paid excludes \$878 in

1994 and \$455 in 1993 of dividends declared on common stock that were used to purchase shares of common stock through the Dividend Reinvestment and Stock Purchase Plan.

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AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES

Information Accompanying Financial Statements (Unaudited)
(In thousands, except share and per share amounts)

<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
<S>	<C>	<C>
Capital Stock of American Water Works Company, Inc.		
Preferred stocks with mandatory redemption requirements		
Cumulative preferred stock - \$25 par value		
Authorized - 1,770,000 shares		
8.50% series (non-voting) - 1,600,000 shares		
outstanding	\$ 40 000	\$ 40 000
	-----	-----
	\$ 40 000	\$ 40 000
	=====	=====
Preferred stocks without mandatory redemption requirements		
Cumulative preferred stock - \$25 par value		
5% series (one-tenth of a vote per share) -		
101,777 shares outstanding	\$ 2 544	\$ 2 544
Cumulative preference stock - \$25 par value		
Authorized - 750,000 shares		
5% series (non-voting) - 365,158 shares		
outstanding	9 129	9 129
	-----	-----
	\$ 11 673	\$ 11 673
	=====	=====

The terms of the 8.50% preferred stock provide that all shares of the series shall be redeemed on December 1, 2000.

March 31 1994	December 31 1993
-----	-----

Common stockholders' equity

Common stock - \$1.25 par value

Authorized - 100,000,000 shares

Outstanding - 31,410,854 shares at

March 31, 1994;

31,243,743 shares at December 31, 1993

\$ 39 264

\$ 39 055

Paid-in capital

42 083

37 627

Retained earnings

579 588

578 593

\$660 935

\$655 275

=====

=====

Thus far in 1994, 148,330 shares of common stock were issued in connection with the Dividend Reinvestment and Stock Purchase Plan and 18,781 shares of common stock were issued in connection with the Savings Plan for Employees. At March 31, 1994, 30,461,581 common shares were reserved for issuance in connection with the Stockholder Rights Plan, 1,471,103 common shares were reserved for issuance in connection with the Dividend Reinvestment and Stock Purchase Plan, 694,568 common shares were reserved for issuance in connection with the Employees' Stock Ownership Plan, and 460,056 common shares were reserved for issuance in connection with the Savings Plan for Employees.

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AMERICAN WATER WORKS COMPANY, INC. AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (Unaudited)

March 31, 1994

NOTE 1 -- Financial Statement Presentation

The information presented in this Form 10-Q is unaudited. In the opinion of management, the information reported reflects all adjustments, consisting only of normal recurring adjustments, which were necessary to a fair statement of the results for the periods reported. Certain reclassifications have been made to conform previously reported data to the current presentation.

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PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of operations

Operating revenues for the first quarter of 1994 increased by 14% over those for the first quarter of 1993. The increase in revenues is due to the August 31, 1993 acquisition of four midwestern water utilities, the result of rate increases authorized for certain subsidiaries and higher sales volume. The acquisition of the four companies last year was responsible for approximately one-third of the increase in revenues.

During the first four months of 1994, five operating subsidiaries received rate orders which are expected to provide approximately \$5.6 million in additional annual revenues. Six subsidiaries have rate increase applications on file before regulatory agencies which, if granted in full, would provide approximately \$37.8 million in additional annual revenues.

The 53.3 billion gallons of water sold in the first quarter of 1994 was 13% higher than the 47 billion gallons sold in the first quarter of 1993. The four acquired companies sold 3.8 billion gallons of water in the first quarter of 1994.

Operating expenses for the first quarter of 1994 increased by 17% over the same period last year. In addition to reflecting operating expenses incurred by the acquired subsidiaries, harsh winter weather throughout most of the eastern half of the country in 1994 increased the cost of providing daily water service. Depreciation expense was higher due to growth in utility plant in service. The growth in tax expense reflects higher general taxes due to increased property values and gross receipts.

Income deductions, primarily interest, were 7% higher for the first quarter of 1994 compared with the first quarter of 1993 due to an increase in total debt.

Net income to common stock was \$9.4 million for the first quarter of 1994 compared with \$9.2 million for the same period in 1993.

Capital Resources and Liquidity

During the balance of 1994, the Company plans to issue common stock through its Dividend Reinvestment and Stock Purchase Plan, the Employees' Stock Ownership Plan and the Savings Plan for Employees. Proceeds from the issuance of common stock will provide for added investments in subsidiaries.

Four operating subsidiaries issued \$70.6 million of long-term debt during the first three months of 1994. In addition, the Company invested \$10.7 million in the common stock of one subsidiary. The proceeds from these financing arrangements have been used to fund construction programs and repay bank borrowings. It is anticipated that some subsidiaries will sell long-term debt to institutional investors and common stock to the Company during the remainder of 1994, with the proceeds used to repay bank loans and to fund

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

None

B. Reports on Form 8-K

No report on Form 8-K has been filed by the registrant during the quarter ended March 31, 1994.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Date May 11, 1994

George W. Johnstone

George W. Johnstone, President and CEO
(Authorized Officer)

Date May 11, 1994

Robert D. Sievers

Robert D. Sievers, Comptroller
(Chief Accounting Officer)