

Golden State Water CO
Form 10-Q
May 07, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2012

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 001-14431

American States Water Company

(Exact Name of Registrant as Specified in Its Charter)

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California

(State or Other Jurisdiction of Incorporation or Organization)

95-4676679

(IRS Employer Identification No.)

630 E. Foothill Blvd, San Dimas, CA
(Address of Principal Executive Offices)

91773-1212
(Zip Code)

(909) 394-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Commission file number 001-12008

Golden State Water Company

(Exact Name of Registrant as Specified in Its Charter)

California

(State or Other Jurisdiction of Incorporation or Organization)

95-1243678

(IRS Employer Identification No.)

630 E. Foothill Blvd, San Dimas, CA
(Address of Principal Executive Offices)

91773-1212
(Zip Code)

(909) 394-3600

(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 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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American States Water Company
Golden State Water Company

Yes x No o
Yes x No o

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Indicate by check mark whether 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 such shorter period that the Registrant was required to submit and post such files).

American States Water Company
Golden State Water Company

Yes No
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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

American States Water Company

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Golden State Water Company

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)

American States Water Company
Golden State Water Company

Yes No
Yes No

As of May 4, 2012, the number of Common Shares outstanding, of American States Water Company was 18,858,505 shares. As of May 4, 2012, all of the 146 outstanding Common Shares of Golden State Water Company were owned by American States Water Company.

Golden State Water Company meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form, in part, with the reduced disclosure format for Golden State Water Company.

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AMERICAN STATES WATER COMPANY

and

GOLDEN STATE WATER COMPANY

FORM 10-Q

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PART I

Item 1. Financial Statements

General

The basic financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and footnote disclosures normally included in financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments consisting of normal recurring items and estimates necessary for a fair statement of results for the interim period have been made.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the latest Annual Report on Form 10-K of American States Water Company and its wholly owned subsidiary, Golden State Water Company.

Filing Format

American States Water Company (hereinafter "AWR") is the parent company of Golden State Water Company (hereinafter "GSWC") and American States Utility Services, Inc. (hereinafter "ASUS") and its subsidiaries.

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: AWR and GSWC. For more information, please see Note 1 to the Notes to Consolidated Financial Statements and the heading entitled General in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations. References in this report to "Registrant" are to AWR and GSWC collectively, unless otherwise specified. GSWC makes no representations as to the information contained in this report relating to AWR and its subsidiaries, other than GSWC.

Forward-Looking Statements

This Form 10-Q and the documents incorporated herein contain forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current estimates, expectations

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and projections about future events and assumptions regarding these events and include statements regarding management's goals, beliefs, plans or current expectations, taking into account the information currently available to management. Forward-looking statements are not statements of historical facts. For example, when we use words such as anticipate, believe, plan, estimate, expect, intend, may and other words that indicate uncertainty of future events or outcomes, we are making forward-looking statements. We are not able to predict all the factors that may affect future results. We caution you that any forward-looking statements made by us are not guarantees of future performance and that actual results may differ materially from those in our forward-looking statements. Some of the factors that could cause future results to differ materially from those expressed or implied by our forward-looking statements, or from historical results, include, but are not limited to:

- The outcome of pending and future regulatory, legislative or other proceedings, investigations or audits, including decisions in our general rate cases and the results of independent audits of our construction contracting procurement practices
- Changes in the policies and procedures of the California Public Utilities Commission or CPUC
- Timeliness of CPUC action on rates
- Our ability to efficiently manage capital expenditures and operating and maintenance expenses within CPUC authorized levels and timely recover our costs through rates
- Our ability to forecast the costs of maintaining our aging water infrastructure
- Our ability to recover increases in permitting costs and in costs associated with negotiating and complying with the terms of our franchise agreements with cities and counties and other demands made upon us by the cities and counties in which GSWC operates

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- Changes in accounting valuations and estimates, including changes resulting from changes in our assessment of anticipated recovery of regulatory assets, liabilities and revenues subject to refund or regulatory disallowances

- Changes in environmental laws and water quality and wastewater requirements and increases in costs associated with complying with these laws and requirements

- Availability of water supplies, which may be adversely affected by changes in weather patterns, contamination and court decisions or other governmental actions restricting use of water from the Colorado River, transportation of water to our service areas through the State Water Project or pumping of groundwater

- Our ability to recover the costs associated with the contamination of our groundwater supplies from parties responsible for the contamination or through the ratemaking process and the time and expense incurred by us in obtaining recovery of such costs

- Adequacy of our power supplies and the extent to which we can manage and respond to the volatility of electric and natural gas prices

- Our ability to comply with the CPUC's renewable energy procurement requirements

- Changes in customer demand due to unanticipated population growth or decline, changes in climate conditions, general economic and financial market conditions, cost increases and conservation

- Changes in accounting treatment for regulated utilities

- Changes in estimates used in our revenue recognition under the percentage of completion method of accounting for our construction activities at our contracted services business

- Termination, in whole or in part, of our contracts to provide water and/or wastewater services at military bases for the convenience of the U.S. government or for default.

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- Delays in obtaining redetermination of prices or equitable adjustments to our prices on our contracts to provide water and/or wastewater services at military bases
- Disallowance of costs on our contracts to provide water and/or wastewater services at military bases as a result of audits, cost review or investigations by contracting agencies
- Inaccurate assumptions used in preparing bids in our contracted services business
- Failure of the collection or sewage systems that we operate on military bases resulting in untreated wastewater or contaminants spilling into nearby properties, streams or rivers
- Failure to comply with the terms of our military privatization contracts
- Failure of any of our subcontractors to perform services for us in accordance with the terms of our military privatization contracts
- Implementation, maintenance and upgrading of our information technology systems
- General economic conditions which may impact our ability to recover revenue from customers
- Explosions, fires, accidents, mechanical breakdowns, the disruption of information technology and telecommunication systems, human error and similar events that may occur while operating and maintaining a water and electric system in California or operating and maintaining water and wastewater systems on military bases under varying geographic conditions
- The impact of storms, earthquakes, floods, mudslides, drought, wildfires, disease and similar natural disasters, or acts of terrorism or vandalism, that affect customer demand or that damage or disrupt facilities, operations or information technology systems owned by us, our customers or third parties on whom we rely
- Restrictive covenants in our debt instruments or changes to our credit ratings on current or future debt that may increase our financing costs or affect our ability to borrow or make payments on our debt
- Our ability to access capital markets and other sources of credit in a timely manner on acceptable terms

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Please consider our forward-looking statements in light of these risks (which are more fully disclosed in our 2011 Annual Report on Form 10-K) as you read this Form 10-Q. We qualify all of our forward-looking statement by these cautionary statements.

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AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS
(Unaudited)

(in thousands)	March 31, 2012	December 31, 2011
Property, Plant and Equipment		
Regulated utility plant, at cost	\$ 1,312,620	\$ 1,302,589
Non utility property, at cost	8,235	7,747
Total	1,320,855	1,310,336
Less - Accumulated depreciation	(423,020)	(413,836)
Net property, plant and equipment	897,835	896,500
Other Property and Investments		
Goodwill	1,116	1,116
Other property and investments	11,968	11,803
Total other property and investments	13,084	12,919
Current Assets		
Cash and cash equivalents	6,558	1,315
Accounts receivable - customers (less allowance for doubtful accounts of \$753 in 2012 and \$715 in 2011)	18,869	20,399
Unbilled revenue	16,969	16,188
Receivable from the U.S. government (less allowance for doubtful accounts of \$0 in 2012 and 2011)	12,908	7,584
Other accounts receivable (less allowance for doubtful accounts of \$367 in 2012 and \$333 in 2011)	10,008	12,181
Income taxes receivable	14,256	20,537
Materials and supplies, at average cost	4,797	3,070
Regulatory assets - current	36,213	36,362
Prepayments and other current assets	5,439	3,959
Costs and estimated earnings in excess of billings on uncompleted contracts	36,015	34,466
Deferred income taxes - current	9,840	9,540
Total current assets	171,872	165,601
Regulatory and Other Assets		
Regulatory assets	144,470	143,595
Costs and estimated earnings in excess of billings on uncompleted contracts	411	598
Receivable from the U.S. government (less allowance for doubtful accounts of \$0 in 2012 and 2011)	6,446	6,660
Deferred income taxes	11	15
Other	12,500	12,474
Total regulatory and other assets	163,838	163,342
Total Assets	\$ 1,246,629	\$ 1,238,362

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

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AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands)	March 31, 2012	December 31, 2011
Capitalization		
Common shares, no par value	\$ 234,846	\$ 233,306
Earnings reinvested in the business	180,173	175,360
Total common shareholders' equity	415,019	408,666
Long-term debt	340,374	340,395
Total capitalization	755,393	749,061
Current Liabilities		
Notes payable to banks		2,000
Long-term debt - current	247	291
Accounts payable	38,097	37,873
Income taxes payable	1,654	332
Accrued employee expenses	10,607	8,659
Accrued interest	6,430	3,938
Unrealized loss on purchased power contracts	7,506	7,611
Billings in excess of costs and estimated earnings on uncompleted contracts	28,557	26,973
Other	14,274	16,693
Total current liabilities	107,372	104,370
Other Credits		
Advances for construction	75,563	75,353
Contributions in aid of construction - net	99,763	100,037
Deferred income taxes	128,635	128,963
Unamortized investment tax credits	1,950	1,972
Accrued pension and other postretirement benefits	70,518	68,353
Billings in excess of costs and estimated earnings on uncompleted contracts	534	3,272
Other	6,901	6,981
Total other credits	383,864	384,931
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 1,246,629	\$ 1,238,362

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

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**AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED MARCH 31, 2012 AND 2011
(Unaudited)**

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2012	2011
Operating Revenues		
Water	\$ 65,957	\$ 64,326
Electric	10,813	10,724
Contracted services	29,878	19,257
Total operating revenues	106,648	94,307
Operating Expenses		
Water purchased	9,552	8,661
Power purchased for pumping	1,556	1,536
Groundwater production assessment	3,323	2,626
Power purchased for resale	3,191	3,875
Supply cost balancing accounts	3,437	5,079
Other operation expenses	7,426	6,917
Administrative and general expenses	16,585	18,419
Depreciation and amortization	10,490	9,737
Maintenance	3,331	3,726
Property and other taxes	4,105	3,552
ASUS construction expenses	20,285	12,184
Total operating expenses	83,281	76,312
Operating Income	23,367	17,995
Other Income and Expenses		
Interest expense	(6,070)	(5,744)
Interest income	215	137
Other	229	80
Total other income and expenses	(5,626)	(5,527)
Income from continuing operations before income tax expense	17,741	12,468
Income tax expense	7,626	5,513
Income from continuing operations	10,115	6,955
Income from discontinued operations, net of tax		634
Net Income	\$ 10,115	\$ 7,589
Basic Earnings Per Common Share		
Income from continuing operations	\$ 0.53	\$ 0.37
Income from discontinued operations		0.03
Net Income	\$ 0.53	\$ 0.40
Fully Diluted Earnings Per Share		
Income from continuing operations	\$ 0.53	\$ 0.37
Income from discontinued operations		0.03
Net Income	\$ 0.53	\$ 0.40

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Weighted Average Number of Shares Outstanding	18,831	18,648
Weighted Average Number of Diluted Shares	18,973	18,778
Dividends Declared Per Common Share	\$ 0.28	\$ 0.26

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

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AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(Unaudited)

(in thousands)	Three Months Ended March 31,	
	2012	2011
Cash Flows From Operating Activities:		
Net income	\$ 10,115	\$ 7,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,490	9,718
Provision for doubtful accounts	653	238
Deferred income taxes and investment tax credits	(2)	(3,322)
Stock-based compensation expense	542	402
Other net	(140)	(120)
Changes in assets and liabilities:		
Accounts receivable - customers	911	609
Unbilled revenue	(781)	(1,584)
Other accounts receivable	1,989	(1,410)
Receivable from the U.S. government	(5,110)	(4,734)
Materials and supplies	(1,727)	(281)
Prepayments and other current assets	(1,480)	1,086
Regulatory assets - supply cost balancing accounts	3,437	5,079
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,362)	1,442
Other assets (including other regulatory assets)	(5,120)	(3,482)
Accounts payable	2,745	89
Income taxes receivable/payable	7,603	5,193
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,154)	18
Accrued pension and other postretirement benefits	3,145	2,292
Other liabilities	1,836	1,937
Net cash provided	26,590	20,759
Cash Flows From Investing Activities:		
Construction expenditures	(14,967)	(17,474)
Net cash used	(14,967)	(17,474)
Cash Flows From Financing Activities:		
Proceeds from issuance of Common Shares and stock option exercises	1,403	455
Receipt of advances for and contributions in aid of construction	538	1,187
Refunds on advances for construction	(499)	(921)
Repayments of long-term debt	(65)	(70)
Net change in notes payable to banks	(2,000)	
Dividends paid	(5,277)	(4,849)
Other net	(480)	(292)
Net cash used	(6,380)	(4,490)
Net increase in cash and cash equivalents	5,243	(1,205)
Cash and cash equivalents, beginning of period	1,315	5,494
Cash and cash equivalents, end of period	6,558	4,289
Less cash and cash equivalents of discontinued operations		1,918
Cash and cash equivalents of continuing operations	\$ 6,558	\$ 2,371

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

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GOLDEN STATE WATER COMPANY
BALANCE SHEETS
ASSETS
(Unaudited)

(in thousands)	March 31, 2012	December 31, 2011
Utility Plant		
Utility plant, at cost	\$ 1,312,620	\$ 1,302,589
Less - Accumulated depreciation	(419,561)	(410,644)
Net utility plant	893,059	891,945
Other Property and Investments	9,794	9,626
Current Assets		
Cash and cash equivalents	4,595	
Accounts receivable-customers (less allowance for doubtful accounts of \$753 in 2012 and \$715 in 2011)	18,869	20,399
Unbilled revenue	16,969	16,188
Inter-company receivable	1,287	785
Other accounts receivable (less allowance for doubtful accounts of \$290 in 2012 and 2011)	6,062	7,755
Income taxes receivable from Parent	14,154	19,914
Materials and supplies, at average cost	2,003	1,926
Regulatory assets - current	36,213	36,362
Prepayments and other current assets	4,983	3,710
Deferred income taxes - current	8,798	8,497
Total current assets	113,933	115,536
Regulatory and Other Assets		
Regulatory assets	144,470	143,595
Other accounts receivable	1,988	1,838
Other	10,672	10,843
Total regulatory and other assets	157,130	156,276
Total Assets	\$ 1,173,916	\$ 1,173,383

The accompanying notes are an integral part of these financial statements

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GOLDEN STATE WATER COMPANY
BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands)	March 31, 2012	December 31, 2011
Capitalization		
Common shares, no par value	\$ 228,962	\$ 228,936
Earnings reinvested in the business	158,229	155,870
Total common shareholder's equity	387,191	384,806
Long-term debt	340,374	340,395
Total capitalization	727,565	725,201
Current Liabilities		
Long-term debt - current	247	291
Accounts payable	26,073	31,227
Accrued employee expenses	9,339	7,544
Accrued interest	6,430	3,938
Unrealized loss on purchased power contracts	7,506	7,611
Other	13,673	16,162
Total current liabilities	63,268	66,773
Other Credits		
Advances for construction	75,563	75,353
Contributions in aid of construction - net	99,763	100,037
Deferred income taxes	128,489	128,815
Unamortized investment tax credits	1,950	1,972
Accrued pension and other postretirement benefits	70,518	68,353
Other	6,800	6,879
Total other credits	383,083	381,409
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 1,173,916	\$ 1,173,383

The accompanying notes are an integral part of these financial statements

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**GOLDEN STATE WATER COMPANY
STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED MARCH 31, 2012 AND 2011
(Unaudited)**

(in thousands)	Three Months Ended March 31,	
	2012	2011
Operating Revenues		
Water	\$ 65,957	\$ 64,326
Electric	10,813	10,724
Total operating revenues	76,770	75,050
Operating Expenses		
Water purchased	9,552	8,661
Power purchased for pumping	1,556	1,536
Groundwater production assessment	3,323	2,626
Power purchased for resale	3,191	3,875
Supply cost balancing accounts	3,437	5,079
Other operating expenses	6,649	5,714
Administrative and general expenses	13,452	14,862
Depreciation and amortization	10,220	9,516
Maintenance	2,940	2,984
Property and other taxes	3,743	3,159
Total operating expenses	58,063	58,012
Operating Income	18,707	17,038
Other Income and Expenses		
Interest expense	(6,009)	(5,613)
Interest income	210	135
Other	229	78
Total other income and expenses	(5,570)	(5,400)
Income from operations before income tax expense	13,137	11,638
Income tax expense	5,755	5,236
Net Income	\$ 7,382	\$ 6,402

The accompanying notes are an integral part of these financial statements

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**GOLDEN STATE WATER COMPANY
STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(Unaudited)**

(in thousands)	2012	Three Months Ended March 31,	2011
Cash Flows From Operating Activities:			
Net income	\$	7,382	\$ 6,402
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		10,220	9,516
Provision for doubtful accounts		619	