

AMERICAN STATES WATER CO
Form 10-Q
August 09, 2006

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 June 30, 2006 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)

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)

91773-1207
(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.)

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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)

(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	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Golden State Water Company	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a nonaccelerated file. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

American States Water Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Nonaccelerated filer <input type="checkbox"/>
Golden State Water Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Nonaccelerated filer <input checked="" type="checkbox"/>

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	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Golden State Water Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

As of August 9, 2006, the number of Common Shares outstanding, of American States Water Company was 16,981,858 shares.

As of August 9, 2006, all of the 122 outstanding Common Shares of Golden State Water Company were owned by American States Water Company.

**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

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: American States Water Company (hereinafter AWR) and Golden State Water Company (hereinafter GSWC) (formerly known as Southern California Water Company). 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 Information

Certain matters discussed in this report (including the documents incorporated herein by reference) are forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as Registrant believes, anticipates, expects or words of similar import. Similarly, statements that describe Registrant's future plans, objectives, estimates or goals are also forward-looking statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rates, water quality and other regulatory matters, adequacy of water supplies, GSWC's ability to recover electric, natural gas and water supply costs from ratepayers, contract operations, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as changes in utility regulation, including ongoing local, state and federal activities; recovery of regulatory assets not yet included in rates; future economic conditions, including changes in customer demand and changes in water and energy supply costs; future climatic conditions; and legislative, legal proceedings, regulatory and other circumstances affecting anticipated revenues and costs.

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS
(Unaudited)

<i>(in thousands)</i>	June 30, 2006	December 31, 2005
Utility Plant, at cost		
Water	\$ 882,870	\$ 869,471
Electric	61,928	61,386
	944,798	930,857
Less - Accumulated depreciation	(274,173)	(259,915)
	670,625	670,942
Construction work in progress	60,777	42,283
Net utility plant	731,402	713,225
Other Property and Investments		
Goodwill	11,799	11,841
Other property and investments	9,695	9,740
Total other property and investments	21,494	21,581
Current Assets		
Cash and cash equivalents	9,434	13,032
Accounts receivable-customers (less allowance for doubtful accounts of \$760 in 2006 and \$789 in 2005)	13,207	13,341
Unbilled revenue	18,925	15,195
Other accounts receivable (less allowance for doubtful accounts of \$313 in 2006 and \$337 in 2005)	10,344	10,844
Income taxes receivable	23	822
Materials and supplies, at average cost	1,550	1,421
Regulatory assets - current	6,188	6,104
Prepayments and other current assets	2,166	2,998
Unrealized gain on purchased power contracts	339	3,417
Costs and estimated earnings in excess of billings on uncompleted contracts	3,767	
Deferred income taxes - current	2,785	1,692
Total current assets	68,728	68,866
Regulatory and Other Assets		
Regulatory assets	60,036	55,866
Other accounts receivable	9,037	8,820
Deferred income taxes	38	
Other	8,322	8,419
Total regulatory and other assets	77,433	73,105
Total Assets	\$ 899,057	\$ 876,777

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

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

<i>(in thousands)</i>	June 30, 2006	December 31, 2005
Capitalization		
Common shares, no par value, no stated value	\$ 172,358	\$ 166,529
Earnings reinvested in the business	105,613	101,121
Accumulated other comprehensive loss	(3,556) (3,556)
Total common shareholders' equity	274,415	264,094
Long-term debt	268,209	268,405
Total capitalization	542,624	532,499
Current Liabilities		
Notes payable to banks	28,000	27,000
Long-term debt - current	571	635
Accounts payable	20,875	19,653
Income taxes payable	2,294	1,534
Accrued employee expenses	5,120	5,879
Accrued interest	2,547	2,254
Regulatory liabilities - current	5,189	5,592
Deferred income taxes - current		86
Other	12,071	14,952
Total current liabilities	76,667	77,585
Other Credits		
Advances for construction	86,642	85,168
Contributions in aid of construction - net	86,153	83,976
Deferred income taxes	75,433	69,669
Unamortized investment tax credits	2,473	2,518
Accrued pension and other postretirement benefits	17,313	13,562
Regulatory liabilities	760	1,823
Billings in excess of costs and estimated earnings on uncompleted contracts	3,090	2,207
Other	7,902	7,770
Total other credits	279,766	266,693
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 899,057	\$ 876,777

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

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED JUNE 30, 2006 AND 2005
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Three Months Ended June 30,	
	2006	2005
Operating Revenues		
Water	\$ 53,122	\$ 53,574
Electric	7,027	6,091
Other	1,989	867
Total operating revenues	62,138	60,532
Operating Expenses		
Water purchased	10,916	12,277
Power purchased for pumping	2,416	2,184
Groundwater production assessment	2,239	1,843
Power purchased for resale	3,248	2,710
Unrealized loss (gain) on purchased power contracts	923	(459)
Supply cost balancing accounts	(825)	(550)
Other operating expenses	5,886	5,218
Administrative and general expenses	10,902	11,608
Depreciation and amortization	6,610	5,725
Maintenance	3,246	2,484
Property and other taxes	2,475	2,244
Total operating expenses	48,036	45,284
Operating Income	14,102	15,248
Interest expense	(5,347)	(4,809)
Interest income	963	35
Income from operations before income tax expense	9,718	10,474
Income tax expense	3,449	4,739
Net Income	\$ 6,269	\$ 5,735
Weighted Average Number of Shares Outstanding	16,881	16,773
Basic Earnings Per Common Share	\$ 0.36	\$ 0.34
Weighted Average Number of Diluted Shares	16,947	16,834
Fully Diluted Earnings Per Share	\$ 0.36	\$ 0.34
Dividends Declared Per Common Share	\$ 0.225	\$ 0.225

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

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS
ENDED JUNE 30, 2006 AND 2005
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Six Months Ended	
	June 30,	2005
	2006	2005
Operating Revenues		
Water	\$ 101,271	\$ 95,071
Electric	15,372	13,561
Other	6,102	1,713
Total operating revenues	122,745	110,345
Operating Expenses		
Water purchased	19,260	19,963
Power purchased for pumping	4,020	3,671
Groundwater production assessment	4,322	3,764
Power purchased for resale	7,811	6,847
Unrealized loss (gain) on purchased power contracts	3,078	(3,474)
Supply cost balancing accounts	(338)	528
Other operating expenses	10,587	10,287
Administrative and general expenses	22,015	21,909
Depreciation and amortization	13,092	11,389
Maintenance	5,719	4,822
Property and other taxes	5,018	4,539
Gain on settlement for removal of wells		(760)
Total operating expenses	94,584	83,485
Operating Income	28,161	26,860
Interest expense	(10,515)	(9,534)
Interest income	1,776	56
Income from operations before income tax expense	19,422	17,382
Income tax expense	7,252	7,883
Net Income	\$ 12,170	\$ 9,499
Weighted Average Number of Shares Outstanding	16,844	16,769
Basic Earnings Per Common Share	\$ 0.71	\$ 0.57
Weighted Average Number of Diluted Shares	16,905	16,821
Fully Diluted Earnings Per Share	\$ 0.71	\$ 0.56
Dividends Declared Per Common Share	\$ 0.450	\$ 0.450

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

**AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)**

<i>(in thousands)</i>	Six Months Ended	
	June 30,	2005
	2006	2005
Cash Flows From Operating Activities:		
Net income	\$ 12,170	\$ 9,499
Adjustments for non-cash items:		
Depreciation and amortization	13,092	11,389
Provision for doubtful accounts	264	235
Deferred income taxes, net regulatory asset for flow-through taxes, and investment tax credits	3,704	3,219
Unrealized loss (gain) on purchased power contracts	3,078	(3,474)
Stock-based compensation expense	325	97
Other - net	421	(165)
Changes in assets and liabilities:		
Accounts receivable - customers	(130)	(1,182)
Unbilled revenue	(3,730)	(3,890)
Other accounts receivable	283	52
Materials and supplies	(129)	60
Prepayments and other current assets	832	1,549
Regulatory assets - supply cost balancing accounts	(338)	528
Other assets	(6,227)	336
Accounts payable	1,222	576
Income taxes receivable/payable	1,559	9,189
Other liabilities	660	4,871
Net cash provided	27,056	32,889
Cash Flows From Investing Activities:		
Construction expenditures	(34,122)	(35,834)
Net cash used	(34,122)	(35,834)
Cash Flows From Financing Activities:		
Proceeds from issuance of common shares	1,023	555
Proceeds from stock option exercises	3,421	
Tax benefits from exercise of stock-based awards	897	
Receipt of advances for and contributions in aid of construction	5,892	8,128
Refunds on advances for construction	(2,196)	(2,372)
Repayments of long-term debt	(260)	(353)
Net change in notes payable to banks	1,000	4,000
Cash received on financing portion of purchased power contracts	1,333	1,333
Dividend equivalent rights paid	(127)	
Tax benefits from payment of dividend equivalent rights	52	
Dividends paid	(7,567)	(7,545)
Net cash provided	3,468	3,746
Net (decrease) increase in cash and cash equivalents	(3,598)	801
Cash and cash equivalents, beginning of period	13,032	4,303
Cash and cash equivalents, end of period	\$ 9,434	\$ 5,104

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

GOLDEN STATE WATER COMPANY
BALANCE SHEETS
ASSETS
(Unaudited)

<i>(in thousands)</i>	June 30, 2006	December 31, 2005
Utility Plant, at cost		
Water	\$ 832,638	\$ 819,958
Electric	61,928	61,386
	894,566	881,344
Less - Accumulated depreciation	(259,927)	(246,649)
	634,639	634,695
Construction work in progress	58,240	38,334
Net utility plant	692,879	673,029
Other Property and Investments		
Other property and investments	7,318	7,364
Total other property and investments	7,318	7,364
Current Assets		
Cash and cash equivalents	6,319	8,788
Accounts receivable-customers (less allowance for doubtful accounts of \$715 in 2006 and \$765 in 2005)	12,754	12,919
Unbilled revenue	18,495	14,856
Inter-company receivable	298	263
Other accounts receivable (less allowance for doubtful accounts of \$310 in 2006 and \$334 in 2005)	3,067	6,106
Materials and supplies, at average cost	1,534	1,404
Regulatory assets - current	6,113	6,033
Prepayments and other current assets	1,921	2,795
Unrealized gain on purchased power contracts	339	3,417
Deferred income taxes - current	2,751	1,693
Total current assets	53,591	58,274
Regulatory and Other Assets		
Regulatory assets	59,834	55,627
Other accounts receivable	9,037	8,820
Other	7,477	7,575
Total regulatory and other assets	76,348	72,022
Total Assets	\$ 830,136	\$ 810,689

The accompanying notes are an integral part of these financial statements

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

<i>(in thousands)</i>	June 30, 2006	December 31, 2005
Capitalization		
Common shares, no par value, no stated value	\$ 160,897	\$ 159,531
Earnings reinvested in the business	103,045	99,645
Accumulated other comprehensive loss	(3,556) (3,556
Total common shareholder s equity	260,386	255,620
Long-term debt	261,344	261,540
Total capitalization	521,730	517,160
Current Liabilities		
Long-term debt - current	301	295
Accounts payable	18,771	17,914
Inter-company payable	2,500	
Income taxes payable to Parent	4,626	2,268
Accrued employee expenses	4,750	5,507
Accrued interest	2,515	2,218
Regulatory liabilities - current	5,189	5,592
Deferred income taxes - current		109
Other	11,366	12,390
Total current liabilities	50,018	46,293
Other Credits		
Advances for construction	76,114	74,790
Contributions in aid of construction - net	84,750	83,055
Deferred income taxes	70,896	65,469
Unamortized investment tax credits	2,473	2,518
Accrued pension and other postretirement benefits	17,313	13,562
Regulatory liabilities		1,063
Other	6,842	6,779
Total other credits	258,388	247,236
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 830,136	\$ 810,689

The accompanying notes are an integral part of these financial statements

GOLDEN STATE WATER COMPANY
STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED JUNE 30, 2006 AND 2005
(Unaudited)

<i>(in thousands)</i>	Three Months Ended June 30,	
	2006	2005
Operating Revenues		
Water	\$ 51,073	\$ 51,797
Electric	7,027	6,091
Other	318	36
Total operating revenues	58,418	57,924
Operating Expenses		
Water purchased	10,702	12,100
Power purchased for pumping	2,218	2,045
Groundwater production assessment	2,239	1,878
Power purchased for resale	3,248	2,710
Unrealized loss (gain) on purchased power contracts	923	(459)
Supply cost balancing accounts	(825)	(550)
Other operating expenses	4,906	4,697
Administrative and general expenses	8,910	9,763
Depreciation and amortization	6,134	5,444
Maintenance	3,022	2,268
Property and other taxes	2,368	2,135
Total operating expenses	43,845	42,031
Operating Income	14,573	15,893
Interest expense	(4,875)	(4,481)
Interest income	928	15
Income from operations before income tax expense	10,626	11,427
Income tax expense	3,867	5,130
Net Income	\$ 6,759	\$ 6,297

The accompanying notes are an integral part of these financial statements

GOLDEN STATE WATER COMPANY
STATEMENTS OF INCOME
FOR THE SIX MONTHS
ENDED JUNE 30, 2006 AND 2005
(Unaudited)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2006	2005
Operating Revenues		
Water	\$ 97,440	\$ 91,951
Electric	15,372	13,561
Other	2,919	56
Total operating revenues	115,731	105,568
Operating Expenses		
Water purchased	18,877	19,670
Power purchased for pumping	3,733	3,457
Groundwater production assessment	4,322	3,799
Power purchased for resale	7,811	6,847
Unrealized loss (gain) on purchased power contracts	3,078	(3,474)
Supply cost balancing accounts	(338)	528
Other operating expenses	9,434	9,310
Administrative and general expenses	19,094	18,742
Depreciation and amortization	12,165	10,830
Maintenance	5,341	4,461
Property and other taxes	4,794	4,318
Total operating expenses	88,311	78,488
Operating Income	27,420	27,080
Interest expense	(9,678)	(8,900)
Interest income	1,724	32
Income from operations before income tax expense	19,466	18,212
Income tax expense	7,362	8,236
Net Income	\$ 12,104	\$ 9,976

The accompanying notes are an integral part of these financial statements

GOLDEN STATE WATER COMPANY
CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2006	2005
Cash Flows From Operating Activities:		
Net income	\$ 12,104	\$ 9,976
Adjustments for non-cash items:		
Depreciation and amortization	12,165	10,830
Provision for doubtful accounts	239	218
Deferred income taxes, net regulatory asset for flow-through taxes, and investment tax credits	3,417	2,782
Unrealized loss (gain) on purchased power contracts	3,078	(3,474)
Stock-based compensation expense	310	97
Other - net	346	