American Water Works Company, Inc.
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	51-0063696 (I.R.S. Employer Identification No.)
1025 Laurel Oak Road, Voorhees, NJ (Address of principal executive offices)	08043 (Zip Code)

(856) 346-8200

(Registrant’s telephone number, including area code)

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. x 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). x 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 12b-2 of the Exchange Act.

Large accelerated filer	x	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.). ¨ Yes x No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 30, 2015
Common Stock, $0.01 par value per share	179,469,453 shares
	(excludes 1,284,912 treasury shares at October 30, 2015)

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AMERICAN WATER WORKS COMPANY, INC.

REPORT ON FORM 10-Q

FOR THE QUARTER ENDED September 30, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In thousands, except per share data)

	September 30, 2015	December 31, 2014
ASSETS		
Property plant and equipment		
Utility plant—at original cost, net of accumulated depreciation of $4,219,736 at September 30 and $3,991,680 at December 31	$ 13,468,478	$ 12,899,704
Nonutility property, net of accumulated depreciation of $262,480 at September 30 and $248,341 at December 31	137,032	129,592
Total property, plant and equipment	13,605,510	13,029,296
Current assets		
Cash and cash equivalents	75,224	23,080
Restricted funds	23,480	13,859
Accounts receivable	341,686	267,053
Allowance for uncollectible accounts	(36,593)	(34,941)
Unbilled revenues	289,577	220,538
Income taxes receivable	1,093	2,575
Materials and supplies	37,965	37,190
Deferred income taxes	114,796	86,601
Other	31,781	45,414
Total current assets	879,009	661,369
Regulatory and other long-term assets		
Regulatory assets	1,230,633	1,153,429
Restricted funds	8,694	8,958
Goodwill	1,312,888	1,208,043
Other	68,439	69,861
Total regulatory and other long-term assets	2,620,654	2,440,291
TOTAL ASSETS	$ 17,105,173	$ 16,130,956

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In thousands, except per share data)

	September 30, 2015	December 31, 2014
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock ($0.01 par value, 500,000 shares authorized, 180,677 shares issued at September 30 and 179,462 at December 31)	$ 1,807	$ 1,795
Paid-in-capital	6,348,609	6,301,729
Accumulated deficit	(1,049,665)	(1,295,549)
Accumulated other comprehensive loss	(79,175)	(81,868)
Treasury stock	(56,124)	(10,516)
Total common stockholders' equity	5,165,452	4,915,591
Long-term debt	5,940,615	5,432,744
Redeemable preferred stock at redemption value	14,286	15,501
Total capitalization	11,120,353	10,363,836
Current liabilities		
Short-term debt	379,944	449,959
Current portion of long-term debt	22,023	61,132
Accounts payable	281,291	285,800
Taxes accrued	46,336	24,505
Interest accrued	97,038	56,523
Other	338,755	363,079
Total current liabilities	1,165,387	1,240,998
Regulatory and other long-term liabilities		
Advances for construction	349,591	367,693
Deferred income taxes	2,375,856	2,120,739
Deferred investment tax credits	24,001	25,014
Regulatory liabilities	395,313	391,782
Accrued pension expense	317,927	316,368
Accrued postretirement benefit expense	189,692	192,502
Other	54,391	37,152
Total regulatory and other long-term liabilities	3,706,771	3,451,250
Contributions in aid of construction	1,112,662	1,074,872
Commitments and contingencies (See Note 9)	—	—
TOTAL CAPITALIZATION AND LIABILITIES	$ 17,105,173	$ 16,130,956

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(In thousands, except per share data)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Operating revenues	$896,206	$846,169	$2,376,405	$2,279,950
Operating expenses				
Operation and maintenance	363,610	341,348	1,024,066	1,004,377
Depreciation and amortization	111,196	106,789	327,496	318,398
General taxes	60,292	60,807	184,210	178,276
Gain on asset dispositions and purchases	(175)	(60)	(2,512)	(616)
Total operating expenses, net	534,923	508,884	1,533,260	1,500,435
Operating income	361,283	337,285	843,145	779,515
Other income (expenses)				
Interest, net	(77,636)	(75,445)	(228,730)	(222,673)
Allowance for other funds used during construction	3,571	2,805	8,766	7,064
Allowance for borrowed funds used during construction	2,168	1,570	6,232	4,324
Amortization of debt expense	(2,112)	(1,669)	(5,754)	(4,971)
Other, net	(189)	(733)	555	(2,591)
Total other income (expenses)	(74,198)	(73,472)	(218,931)	(218,847)
Income from continuing operations before income taxes	287,085	263,813	624,214	560,668
Provision for income taxes	113,191	107,205	247,202	224,773
Income from continuing operations	173,894	156,608	377,012	335,895
Loss from discontinued operations, net of tax	—	(4,423)	—	(6,288)
Net income	$173,894	$152,185	$377,012	$329,607
Other comprehensive income (loss), net of tax:				
Pension amortized to periodic benefit cost:				
Prior service cost, net of tax of $25 and $26 for the three months and $75 and $79 for the nine months, respectively	39	41	117	124
Actuarial loss (gain), net of tax of $833 and $(4) for the three months and $2,497 and $(14) for the nine months, respectively	1,302	(7)	3,906	(22)
Foreign currency translation adjustment	(482)	(490)	(1,388)	(594)
Unrealized gain (loss) on cash flow hedge, net of tax of $10 and $(439) for the three months and $31 and $(439) for the nine months, respectively	19	(815)	58	(815)
Total other comprehensive income (loss), net of tax	878	(1,271)	2,693	(1,307)
Comprehensive income	$174,772	$150,914	$379,705	$328,300
Basic earnings per share: (a)				

Income from continuing operations	$0.97	$0.87	$2.10	$1.88
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.04)
Net income	$0.97	$0.85	$2.10	$1.84
Diluted earnings per share: (a)				
Income from continuing operations	$0.96	$0.87	$2.09	$1.87
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.03)
Net income	$0.96	$0.85	$2.09	$1.83
Average common shares outstanding during the period				
Basic	179,578	178,992	179,534	178,800
Diluted	180,353	179,948	180,346	179,723
Dividends declared per common share	$0.34	$0.62	$0.68	$0.93

(a) Amounts may not sum due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Nine Months Ended September 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$377,012	$329,607
Adjustments to reconcile to net cash flows provided by operating activities		
Depreciation and amortization	327,496	319,050
Deferred income taxes and amortization of investment tax credits	236,015	212,079
Provision for losses on accounts receivable	22,407	25,994
Allowance for other funds used during construction	(8,766)	(7,064)
Gain on asset dispositions and purchases	(2,512)	(616)
Pension and non-pension postretirement benefits	45,973	18,056
Other non-cash, net	(31,208)	9,441
Changes in assets and liabilities		
Receivables and unbilled revenues	(146,543)	(77,281)
Taxes accrued, including income taxes	23,300	11,067
Pension and non-pension postretirement benefit contributions	(39,995)	(35,783)
Accounts payable and accrued expenses	20,978	12,947
Other current assets and liabilities, net	31,461	22,765
Net cash provided by operating activities	855,618	840,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(791,079)	(664,871)
Acquisitions and related costs	(175,567)	(6,053)
Proceeds from sale of assets	4,985	804
Removal costs from property, plant and equipment retirements, net	(73,747)	(51,959)
Net funds released (restricted)	(8,574)	738
Net cash used in investing activities	(1,043,982)	(721,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	563,727	500,497
Repayment of long-term debt	(88,401)	(137,939)
Proceeds from short-term borrowings with maturities greater than three months	60,000	35,000
Repayment of short-term borrowings with maturities greater than three months	(60,000)	(256,000)
Net short-term repayments with maturities less than three months	(70,015)	(95,328)
Proceeds from issuances of employee stock plans and dividend reinvestment plan	32,329	15,446
Advances and contributions for construction, net of refunds of $17,057 and $16,305 at September 30, 2015 and 2014, respectively	20,417	21,293
Debt issuance costs	(7,263)	(4,593)
Dividends paid	(177,664)	(160,848)
Anti-dilutive share repurchase	(39,257)	—

Tax benefit realized from equity compensation	6,635	10,715
Net cash provided by (used in) financing activities	240,508	(71,757)
Net increase in cash and cash equivalents	52,144	47,164
Cash and cash equivalents at beginning of period	23,080	26,964
Cash and cash equivalents at end of period	$75,224	$74,128
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid at end of period	$195,411	$163,053

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Stockholders’ Equity (Unaudited)

(In thousands)

	Common Stock Shares	Common Stock Par Value	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock At Cost	Total Stockholders' Equity
Balance at December 31, 2014	179,462	$1,795	$6,301,729	$(1,295,549)	$(81,868)	(261)	$(10,516)	$4,915,591
Cumulative effect of change in accounting principle	—	—	—	(8,395)	—	—	—	(8,395)
Net income	—	—	—	377,012	—	—	—	377,012
Direct stock reinvestment and purchase plan, net of expense of $38	66	—	3,463	—	—	—	—	3,463
Employee stock purchase plan	70	1	3,825	—	—	—	—	3,826
Stock-based compensation activity	1,079	11	39,592	(621)	—	(114)	(6,351)	32,631
Repurchase of common stock	—	—	—	—	—	(750)	(39,257)	(39,257)
Other comprehensive income, net of tax of $2,603	—	—	—	—	2,693	—	—	2,693
Dividends	—	—	—	(122,112)	—	—	—	(122,112)
Balance at September 30, 2015	180,677	$1,807	$6,348,609	$(1,049,665)	$(79,175)	(1,125)	$(56,124)	$5,165,452

	Common Stock Shares	Common Stock Par Value	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock At Cost	Total Stockholders' Equity
Balance at December 31, 2013	178,379	$1,784	$6,261,396	$(1,495,698)	$(34,635)	(132)	$(5,043)	$4,727,804

Net income	—	—	—	329,607	—	—	—	329,607
Direct stock reinvestment and purchase plan, net of expense of $22	34	—	1,568	—	—	—	—	1,568
Employee stock purchase plan	75	1	3,458	—	—	—	—	3,459
Stock-based compensation activity	777	8	30,765	(640)	—	(122)	(5,179)	24,954
Other comprehensive loss, net of tax of $(374)	—	—	—	—	(1,307)	—	—	(1,307)
Dividends	—	—	—	(166,433)	—	—	—	(166,433)
Balance at September 30, 2014	179,265	$1,793	$6,297,187	$(1,333,164)	$(35,942)	(254)	$(10,222)	$4,919,652

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

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements (Unaudited)

(In thousands, except per share data)

Note 1: Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries in which a controlling interest is maintained (collectively, “American Water or the “Company”) after the elimination of intercompany accounts and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position at September 30, 2015 and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The Consolidated Balance Sheet as of December 31, 2014 is derived from the Company's audited consolidated financial statements at December 31, 2014. The unaudited financial statements and notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, due primarily to the seasonality of the Company’s operations.

Effective July 8, 2015, the Company acquired a ninety-five percent interest in Water Solutions Holdings, LLC (the “Keystone Acquisition”), including its wholly owned subsidiary, Keystone Clearwater Solutions, LLC. The Company also entered into an agreement, whereby it has the option to acquire from the minority owners, and the minority owners have the option to sell to the Company, the remaining five percent interest at fair value upon the occurrence of certain triggering events or at defined dates of December 31, 2016 and December 31, 2018. As the noncontrolling interest is redeemable at the option of the minority owners, the Company has classified the balance as redeemable noncontrolling interest, which is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. The fair value of the redeemable noncontrolling interest was estimated to be $6,999 at the acquisition date. The net loss attributable to noncontrolling interest was $28 for the three and nine months ended September 30, 2015.

The accompanying Notes to the Consolidated Financial Statements relate to continuing operations only unless otherwise indicated.

Note 2: New Accounting Pronouncements

The following recently issued accounting standards have been adopted by the Company and have been included in the consolidated results of operations, financial position or footnotes of the accompanying Consolidated Financial Statements:

Service Concession Arrangements

In January 2014, the Financial Accounting Standards Board ("FASB") issued guidance for an operating entity that enters into a service concession arrangement with a public sector grantor who controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide the services and at what price. The grantor must also control, through ownership or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement. The guidance specifies that an operating entity should not account for the service concession arrangement as a lease. The operating entity should refer instead to other accounting guidance to account for the various aspects of the arrangement. The guidance also specifies that the infrastructure used in such an arrangement should not be recognized as property, plant and equipment of the operating entity. To comply with this guidance, application was required on a modified retrospective basis to service concession arrangements that existed at January 1, 2015. The Company reduced nonutility property and other long-term assets for infrastructure related to service concession arrangements and recognized a cumulative effect adjustment of $8,395, net of tax, to the opening balance of accumulated deficit at January 1, 2015.

Reporting Discontinued Operations

In April 2014, the FASB issued guidance that changed the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the updated guidance, a discontinued operation is defined as a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity’s operations and financial results. A strategic shift could include a disposal of a major geographical area of operations, a major line of business, a major equity method investment or other major part of the entity. A component comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity including a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group. The update no longer precludes presentation as a discontinued operation if there are operations and cash flows of the component that have not been eliminated from the reporting entity’s ongoing operations or if there is significant continuing involvement with a component after its disposal. The guidance was effective January 1, 2015 for the Company and did not have an impact on the Company’s results of operations, financial position or cash flows.

The following recently issued accounting standards are not yet required to be adopted by the Company:

Revenue from Contracts with Customers

In May 2014, the FASB issued a new revenue recognition standard that will replace most existing revenue recognition guidance in GAAP, including industry-specific guidance, and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of the new guidance is that a company will recognize revenue for the transfer of goods or services to customers equal to the amount that it expects to be entitled to receive for those goods or services. The guidance also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The guidance allows for both retrospective and prospective methods of adoption and is effective January 1, 2018 for the Company. Early adoption is permitted, but not before January 1, 2017 for the Company. The Company is currently evaluating the impact, if any, that the adoption will have on its results of operations, financial position or cash flows and it has not yet selected a transition method.

Accounting for Stock-based Compensation with Performance Targets

In June 2014, the FASB issued guidance for the accounting for stock-based compensation tied to performance targets. The updated guidance resolves the diverse accounting treatment for share-based payments by requiring that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period be treated as a performance condition. The requisite service periods ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. This guidance is effective January 1, 2016 for the Company and early adoption is permitted. The adoption of this updated guidance is not expected to have a material impact on the Company’s results of operations, financial position or cash flows.

Disclosures of Uncertainties about an Entity’s Ability to Continue as a Going Concern

In August 2014, the FASB issued guidance that explicitly requires an entity’s management to assess the entity’s ability to continue as a going concern. The new guidance requires an entity to evaluate, at each interim and annual period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued (or are available to be issued) and to provide related disclosures, if applicable. The guidance is effective January 1, 2017 for the Company and early adoption is permitted. The adoption of this updated guidance is not expected to have a material impact on the Company’s results of operations, financial position or cash flows.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued guidance that amends the consolidation analysis for variable interest entities ("VIEs") as well as voting interest entities. The amendments under the new guidance modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The guidance is effective January 1, 2016 for the Company and early adoption is permitted. The guidance may be applied retrospectively to each prior reporting period presented or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of adoption (modified retrospective method). The adoption of this updated guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued updated guidance on imputation of interest and simplifying the presentation of debt issuance costs. The updated guidance requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related liability. Such treatment is consistent with the current presentation of debt discounts or premiums. The updated guidance is effective January 1, 2016 for the Company and early adoption is permitted. The amended guidance must be applied on a retrospective basis for all periods presented. The adoption of this updated guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued guidance clarifying how customers should account for fees paid in a cloud computing arrangement. Under the new guidance, if a cloud computing arrangement contains a software license, the customer would account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer would account for the arrangement as a service contract. The guidance is effective January 1, 2016 for the Company with early adoption permitted. The guidance may be applied retrospectively or prospectively to arrangements entered into, or materially modified after the effective date. The adoption of this updated guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

Amendments to the Measurement of Inventory

In July 2015, the FASB issued guidance on simplifying the measurement of inventory. The new guidance replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The guidance is effective January 1, 2017 for the Company with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

Note 3: Acquisitions and Divestitures

Acquisitions

During the nine-month period ended September 30, 2015, the Company closed on seven acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $44,049. Assets acquired, principally utility plant, totaled $67,420. Liabilities assumed totaled $23,008, including $8,415 of contributions in aid of construction and other long-term liabilities of $14,039. The Company recorded additional goodwill of $2,054 associated with four of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The Company also recognized a bargain purchase gain of $2,417 associated with three of its acquisitions, of which $1,301 was deferred as a regulatory liability.

The Company also closed on the Keystone Acquisition, which is included as part of the Market-Based Businesses segment, for a total purchase price of $132,819, net of cash received. The estimated fair value of assets acquired and liabilities assumed was $44,008 and $6,981, respectively, and principally included the acquisition of nonutility property of $25,462 and accounts receivable of $10,843. The preliminary purchase price allocation, which is based on the estimated fair value of net assets acquired, resulted in the Company recording redeemable noncontrolling interest of $6,999 and additional goodwill of $102,791. The purchase price allocation will be finalized once the valuation of net assets acquired has been completed. Goodwill is expected to be fully deductible for tax purposes. The pro forma impact of this acquisition would not have been material to the Company’s results of operations for the three and nine month periods ended September 30, 2015 and 2014.

Divestitures

In November 2014, the Company completed the sale of Terratec Environmental Ltd (“Terratec”) previously included in the Market-Based Businesses segment. A summary of discontinued operations presented in the Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2014 is as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Operating revenues	$ 4,910	$ 12,234
Total operating expenses, net	7,973	17,657
Loss from discontinued operations before income taxes	(3,063)	(5,423)
Provision from income taxes	1,360	865
Loss from discontinued operations	$ (4,423)	$ (6,288)

Note 4: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2015 and 2014, respectively:

	Defined Benefit Plans Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss (Gain)	Foreign Currency Translation	Loss on Cash Flow Hedge	Total Accumulated Other Comprehensive Loss
Beginning balance at January 1, 2015	$(115,830)	$ 879	$ 31,119	$ 2,755	$(791)	$ (81,868)
Other comprehensive loss before reclassifications	—	—	—	(1,388)	—	(1,388)
Amounts reclassified from accumulated other comprehensive loss	—	117	3,906	—	58	4,081
Net comprehensive income (loss) for the period	—	117	3,906	(1,388)	58	2,693
Ending balance at September 30, 2015	$(115,830)	$ 996	$ 35,025	$ 1,367	$(733)	$ (79,175)
Beginning balance at January 1, 2014	$(69,711)	$ 713	$ 31,150	$ 3,213	$—	$ (34,635)
Other comprehensive loss before reclassifications	—	—	—	(594)	(825)	(1,419)
Amounts reclassified from accumulated other comprehensive loss	—	124	(22)	—	10	112
Net comprehensive income (loss) for the period	—	124	(22)	(594)	(815)	(1,307)
Ending balance at September 30, 2014	$(69,711)	$ 837	$ 31,128	$ 2,619	$(815)	$ (35,942)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety. These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost. (See Note 8)

The amortization of the loss on cash flow hedge is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations and Comprehensive Income. At September 30, 2015, an after-tax net loss of $78 is expected to be reclassified from accumulated other comprehensive loss to net income over the next 12 months.

Antidilutive Stock Repurchase Program

In February 2015, the Company’s Board of Directors authorized a common stock repurchase program to mitigate the dilutive effect of shares issued through the Company’s dividend reinvestment, employee stock purchase and executive compensation activities. This program allows the Company to purchase up to 10,000 shares of its outstanding common stock over an unrestricted period of time to minimize dilution. Under the program, the Company may repurchase its common stock in the open market or through privately negotiated transactions.

The shares repurchased are held as treasury shares, at cost, until cancelled or reissued at the discretion of the Company’s management. During the nine months ended September 30, 2015, the Company repurchased 750 shares of common stock in the open market at an aggregate cost of $39,272 under the program.

Stock Options

In the first nine months of 2015, the Company granted non-qualified stock options to certain employees under the Company’s 2007 Omnibus Equity Compensation Plan (the “2007 Plan”). The stock options vest ratably over the three-year service period beginning January 1, 2015. These awards have no performance vesting conditions and the grant date fair value is amortized through expense over the requisite service period using the straight-line method.

The following table presents the weighted-average assumptions used in the Black-Scholes option-pricing model and the resulting weighted-average grant date fair value per share of stock options granted during the nine months ended September 30, 2015:

Dividend yield	2.35 %
Expected volatility	17.64 %
Risk-free interest rate	1.48 %
Expected life (years)	4.4
Exercise price	$52.75
Grant date fair value per share	$6.21

Stock options granted under the 2007 Plan have a maximum term of seven years, vest over periods ranging from one to three years, and are granted with exercise prices equal to the fair market value of the Company’s common stock on the date of grant. As of September 30, 2015, $1,885 of total unrecognized compensation cost related to the non-vested stock options is expected to be recognized over the weighted-average period of 1.7 years.

The table below summarizes stock option activity for the nine months ended September 30, 2015:

	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Life (years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2015	1,910	$ 33.47		
Granted	301	52.75		
Forfeited or expired	(44)	44.70		
Exercised	(780)	32.70		
Options outstanding at September 30, 2015	1,387	$ 37.73	3.8	$ 24,072
Exercisable at September 30, 2015	860	$ 31.22	2.6	$ 20,526

The following table summarizes additional information regarding stock options exercised during the nine months ended September 30, 2015 and 2014:

	2015	2014
Intrinsic value	$15,812	$8,775
Exercise proceeds	25,497	10,831

Income tax benefit	4,724	2,634

Restricted Stock Units

During 2012, the Company granted selected employees an aggregate of 158 restricted stock units with internal performance measures and, separately, certain market thresholds. These awards vested in January 2015. The terms of the grants generally specified that to the extent certain performance goals, comprised of internal measures and market thresholds, were achieved, the restricted stock units would vest; if target performance was surpassed, up to 175% of the target awards would be distributed; and if performance thresholds were not met, the awards would be forfeited. In January 2015, 93 shares of common stock were issued pursuant to the vesting of these restricted stock units because performance thresholds were exceeded.

In June 2015, the Company granted 15 stock units to non-employee directors under the 2007 Plan. The stock units vested on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (a) 15 months after grant date or (b) the participant's separation from service. Because these stock units vested on grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

In the first nine months of 2015, the Company granted restricted stock units, both with and without performance conditions, to certain employees under the 2007 Plan. The restricted stock units without performance conditions vest ratably over the three-year service period beginning January 1, 2015 and the restricted stock units with performance conditions vest ratably over the three-year performance period beginning January 1, 2015 (the "Performance Period"). Vesting of the shares underlying the restricted stock units with performance conditions is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period. The restricted stock units granted with service-only conditions and those with internal performance measures are valued at the market value of the Company's common stock on the date of grant. The restricted stock units granted with market conditions are valued using a Monte Carlo model.

The following table presents the weighted-average assumptions used in the Monte Carlo simulation for restricted stock units with market conditions granted during the nine months ended September 30, 2015:

Expected volatility	14.93 %
Risk-free interest rate	1.07 %
Expected life (years)	3

The grant date fair value of the restricted stock unit awards that vest ratably and have market and/or performance and service conditions is amortized through expense over the requisite service period using the graded-vesting method. Restricted stock units that have no performance conditions are amortized through expense over the requisite service period using the straight-line method. As of September 30, 2015, $5,845 of total unrecognized compensation cost related to the non-vested restricted stock units is expected to be recognized over the weighted-average remaining life of 1.1 years.

The table below summarizes restricted stock unit activity for the nine months ended September 30, 2015:

	Shares	Weighted-Average Grant Date Fair Value (per share)
Non-vested total at January 1, 2015	516	$ 41.46
Granted	150	55.63
Performance share adjustment	93	38.11
Vested	(304)	39.46
Forfeited	(22)	45.38
Non-vested total at September 30, 2015	433	$ 46.86

The following table summarizes additional information regarding restricted stock units issued during the nine months ended September 30, 2015 and 2014:

	2015	2014
Intrinsic value	$16,544	$14,938
Income tax benefit	1,957	1,592

If dividends are paid with respect to shares of the Company’s common stock before the restricted stock units are distributed, the Company credits a liability for the value of the dividends that would have been paid if the restricted stock units were shares of Company common stock. When the restricted stock units are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling $621 and $640 to retained earnings during the nine months ended September 30, 2015 and 2014, respectively.

Note 5: Long-Term Debt

The following long-term debt was issued during the first nine months of 2015:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. ("AWCC") (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2045	$550,000
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.56%	2022-2032	13,727
Total issuances				$563,727

(a) AWCC, which is a wholly owned subsidiary of the Company, has a support agreement with the Company that, under certain circumstances, is the functional equivalent of a guarantee.

The following long-term debt was retired through sinking fund payments during the first nine months of 2015:

	Type	Rate	Maturity	Amount
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-5.25%	2015-2031	$36,442
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-7.45%	2015-2041	50,733
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1,200
Other American Water subsidiaries	Capital lease payments	12.23%	2026	26
Total retirements and redemptions				$88,401

The Company has an interest rate swap to hedge $100,000 of its 6.085% fixed-rate debt maturing 2017. The Company pays variable interest of six-month LIBOR plus 3.422%. The interest rate swap is a derivative instrument accounted for as a fair-value hedge and matures with the fixed-rate debt in 2017.

The following table provides a summary of the fair value for the interest rate swap and related debt recorded by the Company and the line item in the Consolidated Balance Sheets in which such amounts are recorded:

	Balance sheet classification	September 30, 2015	December 31, 2014

Regulatory and other long-term assets		
Other	$ 3,493	$ 3,636
Long-term debt		
Long-term debt	3,478	3,570

For derivative instruments that are designated and qualify as fair-value hedges, the gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current net income. The Company includes the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in interest expense as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
Income statement classification	2015	2014	2015	2014
Interest, net				
Gain (loss) on swap	$21	$(1,058)	$(143)	$(1,261)
Gain (loss) on borrowing	(82)	$945	92	1,198
Hedge ineffectiveness	(61)	(113)	(51)	(63)

Note 6: Short-Term Debt

Short-term debt consists of commercial paper borrowings totaling $379,944 (net of discount of $56) at September 30, 2015 and $449,959 (net of discount of $41) at December 31, 2014. At September 30, 2015, there were no borrowings with maturities greater than three months.

Note 7: Income Taxes

The Company's estimated annual effective tax rate for the nine months ended September 30, 2015 was 39.5% compared to 39.7% for the nine months ended September 30, 2014, excluding various discrete items.

The Company's actual effective tax rates for continuing operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Actual effective tax rate	39.4%	40.6%	39.6%	40.1%

In connection with the Company's filing of its consolidated 2014 tax return in September 2015, the Company deducted bonus depreciation of which approximately $88,840 of deferred tax liabilities is related to the Regulated Businesses segment.

Note 8: Pension and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Components of net periodic pension benefit cost				
Service cost	$9,334	$7,943	$28,002	$23,830
Interest cost	18,576	19,163	55,728	57,489
Expected return on plan assets	(24,366)	(23,709)	(73,098)	(71,128)
Amortization of:				
Prior service cost	188	181	565	543
Actuarial loss (gain)	6,277	(33)	18,831	(98)
Net periodic pension benefit cost	$10,009	$3,545	$30,028	$10,636

Components of net periodic other postretirement

benefit cost				
Service cost	$3,443	$2,764	$10,330	$8,293
Interest cost	7,466	7,152	22,397	21,454
Expected return on plan assets	(6,299)	(6,875)	(18,897)	(20,625)
Amortization of:				
Prior service credit	(547)	(548)	(1,642)	(1,642)
Actuarial loss (gain)	1,252	(20)	3,757	(60)
Net periodic other postretirement benefit cost	$5,315	$2,473	$15,945	$7,420

The Company contributed $20,100 to its defined benefit pension plans in the first nine months of 2015 and expects to contribute $7,900 during the remainder of 2015. In addition, the Company contributed $19,895 for the funding of its other postretirement plans in the first nine months of 2015 and expects to contribute $6,632 during the remainder of 2015.

Note 9: Commitments and Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. At September 30, 2015, the Company has accrued approximately $3,600 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies is $33,600. For certain matters, the Company is unable to estimate possible losses.

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances used for processing coal, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant intake in Charleston, West Virginia. To date, 58 lawsuits have been filed against WVAWC with respect to this matter in the United States District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties. Fifty-two of the state court cases naming WVAWC, and one case naming both WVAWC and American Water Works Service Company, Inc. (“AWWSC,” and together with WVAWC and the Company, the “American Water Defendants”) were removed to the United States District Court for the Southern District of West Virginia, but are subject to motions to remand the cases back to the state courts and have been consolidated for the sole purpose of resolving venue issues. Four of the cases pending before the federal district court were consolidated for purposes of discovery, and an amended consolidated complaint for those cases was filed on December 9, 2014 by several plaintiffs who allegedly suffered economic losses, loss of use of property and tap water or other specified adverse consequences as a result of the Freedom Industries spill, on behalf of a purported class of all persons and businesses supplied with, using, or exposed to water contaminated with Crude MCHM and provided by WVAWC in Logan, Clay, Lincoln, Roane, Jackson, Boone, Putnam, and Kanawha Counties and the Culloden area of Cabell County, West Virginia as of January 9, 2014. The amended consolidated complaint names several individuals and corporate entities as defendants, including the American Water Defendants. The plaintiffs seek unspecified damages for alleged business or economic losses; unspecified damages or a mechanism for recovery to address a variety or alleged costs, loss of use of property, personal injury and other consequences allegedly suffered by purported class members; punitive damages and certain additional relief, including the establishment of a medical monitoring program to protect the purported class members from an alleged increased risk of contracting serious latent disease.

On April 9, 2015, the court in the Federal action denied a motion to dismiss all claims against the Company for lack of personal jurisdiction. A separate motion to dismiss filed by AWWSC and WVAWC (and joined by the Company) asserting various legal defenses in the Federal action was resolved by the court on June 3, 2015. The court dismissed three causes of action but denied the motion to dismiss with respect to the remaining causes of actions and allowed the plaintiffs to continue to pursue the various claims for damages alleged in their amended consolidated complaint.

On July 6, 2015, the plaintiffs filed a motion seeking certification of a class defined to include persons who resided in dwellings served by WVAWC’s Kanawha Valley Treatment Plant (“KVTP”) on January 9, 2014, persons who owned businesses served by the KVTP on January 9, 2014, and hourly employees who worked for such businesses. The plaintiffs sought a class-wide determination of liability against the American Water Defendants, among others, and of damages to the three groups of plaintiffs as a result of the “Do Not Use” order that was issued after the Freedom Industries spill.

A court-directed mediation was held at the end of September 2015 with the assistance of private mediators. Representatives of the American Water Defendants, Eastman Chemical, the Federal action plaintiffs, and the plaintiffs in the 53 state court cases removed to Federal court, as well as insurance carriers for certain of the defendants, participated in the mediation. No resolution was reached and no further mediation discussions have been scheduled to date.

On October 8, 2015, the court in the Federal action granted in part and denied in part the plaintiffs’ class certification motion. The court certified a class addressing certain liability elements of the negligence claims against Eastman Chemical and of the negligence and breach of contract claims against the American Water Defendants. However, the court granted the joint motion by defendants to exclude certain expert testimony, disallowing the testimony of plaintiffs’ economic damages experts, and denied class certification as to any damages, including punitive damages. Thus, determination or quantification of damages, if any, would be made in subsequent proceedings on an individual basis.

The Company believes that the causes of action asserted against the American Water Defendants in the lawsuits described above are without merit and continues to vigorously defend itself in these proceedings. Given the current stage of these proceedings, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to these proceedings.

Other than as described in this Note 9, the Company believes that damages or settlements recovered by plaintiffs, if any, in claims or actions will not, individually or in the aggregate, have a material adverse effect on the Company.

Note 10: Environmental Matters

The Company’s water and wastewater operations are subject to federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. Remediation costs accrued amounted to $1,100 and $2,200 at September 30, 2015 and December 31, 2014, respectively. The accrual relates to a conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration (“NOAA”) requiring the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the state of California. The Company has agreed to pay $1,100 annually from 2010 through 2016. The Company's inception-to-date costs related to the NOAA agreement were recorded in regulatory assets in the accompanying Consolidated Balance Sheets at September 31, 2015 and December 31, 2014 and are expected to be fully recovered from customers in future rates.

Note 11: Earnings per Common Share

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the 2007 Plan, that earn dividend equivalents on an equal basis with common shares. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities.

The following table provides the components for calculating basic earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Basic	2015	2014	2015	2014
Income from continuing operations	$173,894	$156,608	$377,012	$335,895
Loss from discontinued operations, net of tax	—	(4,423)	—	(6,288)
Net income	173,894	152,185	377,012	329,607
Less: Distributed earnings to common stockholders	61,192	55,664	178,234	161,439
Less: Distributed earnings to participating securities	19	17	51	49
Undistributed earnings	112,683	96,504	198,727	168,119
Undistributed earnings allocated to common stockholders	112,651	96,478	198,676	168,070
Undistributed earnings allocated to participating securities	32	26	51	49
Total income from continuing operations available to common stockholders, basic	$173,843	$156,565	$376,910	$335,797
Total net income available to common stockholders, basic	$173,843	$152,142	$376,910	$329,509
Weighted-average common shares outstanding, basic	179,578	178,992	179,534	178,800
Basic earnings per share: (a)				
Income from continuing operations	$0.97	$0.87	$2.10	$1.88
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.04)
Net income	$0.97	$0.85	$2.10	$1.84

(a) Earnings per share amounts are computed independently for income from continuing operations available to common stockholders, loss from discontinued operations and net income available to common stockholders. As a result, the sum of per-share amounts for income from continuing operations available to common stockholders and discontinued operations may not equal the total per-share amount for net income available to common stockholders.

Diluted earnings per common share is based on the weighted-average number of common shares outstanding adjusted for the dilutive effect of common stock equivalents related to the restricted stock units, stock options, and employee stock purchase plan. The dilutive effect of the common stock equivalents is calculated using the treasury stock method and expected proceeds on vesting of the restricted stock units, exercise of the stock options and purchases under the employee stock purchase plan.

The following table provides the components for calculating diluted earnings per share:

Diluted	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Total income from continuing operations available to common stockholders, basic	$173,843	$156,565	$376,910	$335,797
Loss from discontinued operations, net of tax	—	(4,423)	—	(6,288)
Total net income available to common stockholders, basic	173,843	152,142	376,910	329,509
Undistributed earnings for participating securities	32	26	51	49
Total income from continuing operations available to common stockholders, diluted	$173,875	$156,591	$376,961	$335,846
Total net income available to common stockholders, diluted	$173,875	$152,168	$376,961	$329,558
Weighted-average common shares outstanding, basic	179,578	178,992	179,534	178,800
Common stock equivalents:				
Restricted stock units	442	497	439	460
Stock options	332	458	372	462
Employee stock purchase plan	1	1	1	1
Weighted-average common shares outstanding, diluted	180,353	179,948	180,346	179,723
Diluted earnings per share: (a)				
Income from continuing operations	$0.96	$0.87	$2.09	$1.87
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.03)
Net income available	$0.96	$0.85	$2.09	$1.83

(a) Earnings per share amounts are computed independently for income from continuing operations available to common stockholders, loss from discontinued operations and net income available to common stockholders. As a result, the sum of per-share amounts for income from continuing operations available to common stockholders and discontinued operations may not equal the total per-share amount for net income available to common stockholders.

The following potentially dilutive common stock equivalents were not included in the earnings per share calculations because they were anti-dilutive:

	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Stock options	292	49	292	334

Restricted stock units where certain performance conditions were not met	21	53	22	53

Note 12: Fair Value of Financial Assets and Liabilities

Fair Value of Financial Instruments

The Company used the following methods and assumptions to estimate its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported in the accompanying Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs. The fair values of instruments classified as Level 2 and 3 are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market rates. As a majority of the Company's debts do not trade in active markets, the Company calculated a base yield curve using a risk-free rate (a U.S. Treasury securities yield curve) plus a credit spread that is based on the following two factors: an average of the Company's own publicly-traded debt securities and the current market rates for U.S. Utility debt securities with a bond credit rating of A. The Company used these yield curve assumptions to derive a base yield for the Level 2 and Level 3 securities. Additionally, the Company adjusted the base yield for specific features of the debt securities including call features, coupon tax treatment and collateral for the Level 3 instruments.

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments are as follows:

		Fair Value at September 30, 2015			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$15,936	$—	$—	$21,612	$21,612
Long-term debt (excluding capital lease obligations)	5,960,128	3,379,017	1,449,557	1,941,459	6,770,033

		Fair Value at December 31, 2014			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$17,151	$—	$—	$22,167	$22,167
Long-term debt (excluding capital lease obligations)	5,491,341	2,874,622	1,474,708	2,055,058	6,404,388

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at September 30, 2015 and December 31, 2014, respectively:

	At Fair Value as of September 30, 2015			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$32,174	$—	$ —	$32,174
Rabbi trust investments	—	11,762	—	11,762
Deposits	1,666	—	—	1,666
Mark-to-market derivative asset	—	3,493	—	3,493
Other investments	4,135	—	—	4,135
Total assets	37,975	15,255	—	53,230
Liabilities				
Deferred compensation obligation	—	10,659	—	10,659

Mark-to-market derivative liability	—	865	—	865
Total liabilities	—	11,524	—	11,524
Total net assets	$37,975	$3,731	$ —	$41,706

	At Fair Value as of December 31, 2014			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$22,817	$—	$ —	$22,817
Rabbi trust investments	—	11,751	—	11,751
Deposits	4,158	—	—	4,158
Mark-to-market derivative asset	—	3,636	—	3,636
Other investments	22,365	—	—	22,365
Total assets	49,340	15,387	—	64,727
Liabilities				
Deferred compensation obligation	—	11,765	—	11,765
Mark-to-market derivative liability	—	1,012	—	1,012
Total liabilities	—	12,777	—	12,777
Total net assets	$49,340	$2,610	$ —	$51,950

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred.

Rabbi trust investments—The Company's rabbi trust investments consist primarily of equity and fixed income indexed funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative asset and liability—The Company utilizes fixed-to-floating interest-rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company also employs derivative financial instruments in the form of variable-to-fixed interest rate swaps, classified as economic hedges, in order to fix the interest cost on some of its variable-rate debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 13: Segment Information

The Company has two operating segments that are also the Company's two reportable segments, referred to as Regulated Businesses and Market-Based Businesses. The following table includes the Company's summarized segment information:

	As of or for the Three Months Ended September 30, 2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Net operating revenues	$780,729	$ 120,373	$(4,896)	$896,206
Depreciation and amortization	104,235	2,043	4,918	111,196
Total operating expenses, net	437,964	101,573	(4,614)	534,923
Income from continuing operations before income taxes	283,632	20,666	(17,213)	287,085
Total assets	15,091,471	497,051	1,516,651	17,105,173

	As of or for the Three Months Ended September 30, 2014			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Net operating revenues	$753,701	$ 96,980	$(4,512)	$846,169
Depreciation and amortization	99,120	1,447	6,222	106,789
Total operating expenses, net	434,912	79,915	(5,943)	508,884
Income from continuing operations before income taxes	258,539	17,634	(12,360)	263,813
Total assets	14,161,472	309,935 (a)	1,244,240	15,715,647

	As of or for the Nine Months Ended September 30, 2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Net operating revenues	$2,082,950	$ 307,822	$(14,367)	$2,376,405
Depreciation and amortization	306,205	4,241	17,050	327,496
Total operating expenses, net	1,290,551	260,449	(17,740)	1,533,260
Income from continuing operations before income taxes	616,530	50,460	(42,776)	624,214
Total assets	15,091,471	497,051	1,516,651	17,105,173

As of or for the Nine Months Ended
September 30, 2014

	Regulated Businesses	Market-Based Businesses		Other	Consolidated
Net operating revenues	$2,039,446	$ 253,857		$(13,353)	$2,279,950
Depreciation and amortization	296,084	4,354		17,960	318,398
Total operating expenses, net	1,302,298	212,075		(13,938)	1,500,435
Income from continuing operations before income taxes	555,985	43,593		(38,910)	560,668
Total assets	14,161,472	309,935	(a)	1,244,240	15,715,647

(a) Amount includes assets of discontinued operations of $6,256.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements included in this Form 10-Q, other than statements of historical fact, may constitute forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future" and "int expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Factors that could cause or contribute to differences in results and outcomes from those in our forward-looking statements include, without limitation, those items discussed in the "Risk Factors" section or other sections in the Company's annual report on Form 10-K ("Form 10-K") for the year ended December 31, 2014, and in this Form 10-Q, each as filed with the Securities and Exchange Commission ("SEC"). We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

General

American Water Works Company, Inc. ("American Water" or the "Company") is the largest investor-owned United States water and wastewater utility company, as measured both by operating revenue and population served. Our primary business involves the ownership of water and wastewater utilities that provide water and wastewater services to residential, commercial, industrial and other customers. These utilities are generally subject to economic regulation by state regulatory agencies in the states in which they operate. We report the financial results of these utilities in our Regulated Businesses segment. We also provide other services through businesses that are not subject to economic regulation by state regulatory agencies. We report the results of these businesses in our Market-Based Businesses segment. For further description of our businesses see Part I, Item 1, "Business," in our Form 10-K and "Overview - Growth - Infrastructure improvements, acquisitions and strategic investments" in this section.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and in our Form 10-K.

Overview

Financial Results

Highlights of our operating results per diluted share for the three and nine months ended September 30, 2015 compared to same periods during 2014 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014

Income from continuing operations	$0.96	$0.87	$2.09	$1.87
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.03)
Diluted earnings per share	$0.96	$0.85	$2.09	$1.83

Continuing Operations

Income from continuing operations increased 9 cents and 22 cents per diluted share for the three and nine months ended September 30, 2015, respectively, compared to the same periods in the prior year. Excluding the costs related to the Freedom Industries chemical spill in West Virginia of 4 cents per diluted share for the nine months ended September 30, 2014, income for the nine months ended September 30, 2015 increased 18 cents per diluted share. The increases for both the three and nine month periods in 2015 compared to 2014 was mainly due to continued growth in both our Regulated Businesses and Market-Based Businesses segments.

For the quarter ended September 30, 2015, our Regulated Businesses segment continued to experience growth through infrastructure investment along with an increase in demand compared to the same period in the prior year. Our Market-Based Businesses segment also continued to experience earnings growth through its Military Services Group ("MSG") line of business.

For the nine months ended September 30, 2015, the Regulated Businesses segment experienced growth through infrastructure investments and increased demand coupled with lower operating and maintenance expenses from a continued focus on operational efficiency. Our Market-Based Businesses segment also continued to experience earnings growth through its MSG line of business.

Discontinued Operations

In the fourth quarter of 2014, we sold our Terratec line of business, which was part of our Market-Based Businesses segment. The after-tax loss from discontinued operations for both the three and nine months ended September 30, 2014 includes the operating results of the entity prior to the sale.

Regulatory Matters

The table below provides rate authorizations by state of annualized revenues awarded assuming a constant volume and effective in 2015:

State	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
	(In millions)	
General Rate Cases:		
New Jersey (September 21)	$22.0	$ 22.0
Kentucky (July 2) (a)	—	—
Maryland (June 19)	—	0.5
Indiana (January 29)	—	5.1
California (January 1)	—	5.2
Total General Rate cases	$22.0	$ 32.8
Infrastructure charges:		
Pennsylvania (b)	$4.6	$ 6.2
New Jersey (January 1)	—	9.4
Illinois (c)	—	5.9
Tennessee (June 30)	—	2.2
Missouri (June 27) (d)	—	1.9
New York (June 1)	—	0.1
Total Infrastructure charges	$4.6	$ 25.7

(a) Additional annualized revenue granted of $0.2 million; increase is effective in one-fourth increments over each of the next four years.

(b) Rates of $1.6 million and $4.6 million became effective April 1, 2015 and July 1, 2015, respectively.
(c) Rates of $4.9 million and $1.0 million became effective January 1, 2015 and February 1, 2015, respectively.
(d) The Office of the Public Counsel filed an appeal notice claiming St. Louis County no longer meets the required population requirement for an infrastructure charge.

In July 2015, our California subsidiary filed an application with the California Public Utilities Commission (the "CPUC") to request changes to the present rate design and the emergency conservation and rationing plan for water customers in certain areas within its Monterey County service district. If approved, the proposed changes would allow (i) recovery of existing under-collections of the net water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") balance, currently amounting to approximately $43 million, over 20 years earning a pretax rate of 8.41%; (ii) an annual consumption true-up mechanism and rate design that provide for more timely collection of the cost of service; and (iii) modification of existing conservation and rationing plans. We expect a CPUC decision in mid to late 2016. On November 4, 2015, our California subsidiary received an Assigned Commissioner's Scoping Memo and Ruling related to our WRAM filing. The Company is reviewing the terms of this document to determine the impact on the WRAM filing and the related timing of the decision, if any.

On July 31, 2015, our Missouri subsidiary filed a general rate case requesting additional annualized revenue of approximately $25.2 million.

Following the close of the third quarter, additional annualized revenue of $7.8 million resulting from infrastructure charges in our Pennsylvania subsidiary became effective on October 1, 2015. Also, on October 30, 2015, our Virginia subsidiary filed a general rate case requesting additional annualized revenue of approximately $8.7 million.

As of November 4, 2015, we are awaiting final general rate case orders in three states, requesting additional annualized revenue of $69.5 million. There is no assurance that all or any portion of these requests will be granted.

Focusing on Central Themes

For 2015, our focus is anchored on five central themes: 1) Customers, 2) Safety, 3) People, 4) Growth and 5) Operational Efficiency. We will continue our focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces value for our shareholders. Additionally, we will continue our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made in the first nine months of 2015 with respect to growth and improvement in our operational efficiency ratio is described below.

Growth - Infrastructure improvements, acquisitions and strategic investments

During the nine months of 2015, we made capital investments of approximately $969.9 million, focused in three key areas:

- $793.1 million to improve infrastructure in our Regulated Businesses.
- $132.8 million for the acquisition (the “Keystone Acquisition”) of our ninety-five percent interest in Water Solutions Holdings, LLC, the parent company of Keystone Clearwater Solutions, LLC (“Keystone”), in the third quarter of 2015. Keystone is a water service provider that offers a range of water-related services to the oil and gas industry in the Appalachian region and is included in our Market-Based Businesses segment.
- $44.0 million for regulated acquisitions, which added a total of more than 19,000 water and wastewater customers.

For the full-year of 2015, our total capital investment, including acquisitions, is expected to be in the range of $1.3 to $1.4 billion, most of which is for improving infrastructure in our Regulated Businesses.

Technology and Operational Efficiency - Continuing Improvement in O&M Efficiency Ratio for our Regulated Businesses

We continued to improve on our operation and maintenance (“O&M”) efficiency ratio (a non-GAAP measure). Our adjusted O&M efficiency ratio for the twelve months ended September 30, 2015 was 35.8%, compared to 36.8% for the twelve months ended September 30, 2014. The improvement in the 2015 O&M efficiency ratio over this period was attributable to both an increase in revenue and decreases in O&M expenses.

We evaluate our operating performance using this measure because management believes it is a direct measure of the efficiency of our Regulated Businesses’ operations. This information is intended to enhance an investor’s overall understanding of our operating performance. The O&M efficiency ratio is not a measure defined under GAAP and may not be comparable to other companies’ operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

Our O&M efficiency ratio is defined as our regulated operation and maintenance expense divided by regulated operating revenues, where both O&M expense and operating revenues were adjusted to eliminate purchased water expense. Additionally, from the O&M expenses, we excluded the allocable portion of non-O&M support services cost, mainly depreciation and general taxes that are reflected in the Regulated Businesses segment as O&M costs but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statement of Operations and Comprehensive Income. In addition, to the standard adjustments to the O&M Efficiency ratio for the twelve months ended September 30, 2015 and 2014, we have also excluded from operating revenues and O&M expenses the estimated impact from changes in consumption as a result of weather and the West Virginia Freedom Industries chemical spill. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of the Company's regulated operations.

The following table provides the calculation and reconciliation that compares O&M and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio for the twelve months ended September 30, 2015 as compared to the same period in 2014.

Calculation and Reconciliation of Adjusted Regulated O&M Efficiency Ratio (a Non-GAAP Measure):

	For the Twelve Months Ended September 30,	
	2015	2014
	(In thousands)	
Total Operation and Maintenance Expense	$1,369,553	$1,330,605
Less:		
Operation and maintenance expense—Market-Based Businesses	337,415	272,386
Operation and maintenance expense—Other	(52,805)	(53,606)
Total Regulated Operation and Maintenance Expense	1,084,943	1,111,825
Less:		
Regulated purchased water expense	117,801	119,692
Allocation of non-operation and maintenance expense	37,095	37,975
Impact of West Virginia Freedom Industries chemical spill	136	10,302
Estimated impact of weather (mid-point of range)	—	(1,762)
Adjusted Regulated Operation and Maintenance Expense (a)	$929,911	$945,618
Total Operating Revenues	$3,107,783	$2,986,192
Less:		
Operating revenues—Market-Based Businesses	408,643	334,647
Operating revenues—Other	(18,693)	(17,594)
Total Regulated Operating Revenues	2,717,833	2,669,139
Less:		
Regulated purchased water expense*	117,801	119,692
Plus:		
Impact of West Virginia Freedom Industries chemical spill	—	1,012
Estimated impact of weather (mid-point of range)	—	16,785
Adjusted Regulated Operating Revenues (b)	$2,600,032	$2,567,244
Adjusted Regulated Operation and Maintenance Efficiency Ratio (a)/(b)	35.8 %	36.8 %

*Calculation assumes purchased water revenues approximate purchased water expenses.

Consolidated Results of Operations and Changes from Prior Periods

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2015	2014	Favorable (Unfavorable) Change	2015	2014	Favorable (Unfavorable) Change
	(In thousands, except per share amounts)					
Operating revenues	$896,206	$846,169	$ 50,037	$2,376,405	$2,279,950	$ 96,455
Operating expenses						
Operation and maintenance	363,610	341,348	(22,262)	1,024,066	1,004,377	(19,689)
Depreciation and amortization	111,196	106,789	(4,407)	327,496	318,398	(9,098)
General taxes	60,292	60,807	515	184,210	178,276	(5,934)
Gain on asset dispositions and purchases	(175)	(60)	115	(2,512)	(616)	1,896
Total operating expenses, net	534,923	508,884	(26,039)	1,533,260	1,500,435	(32,825)
Operating income	361,283	337,285	23,998	843,145	779,515	63,630
Other income (expenses)						
Interest, net	(77,636)	(75,445)	(2,191)	(228,730)	(222,673)	(6,057)
Allowance for other funds used during construction	3,571	2,805	766	8,766	7,064	1,702
Allowance for borrowed funds used during construction	2,168	1,570	598	6,232	4,324	1,908
Amortization of debt expense	(2,112)	(1,669)	(443)	(5,754)	(4,971)	(783)
Other, net	(189)	(733)	544	555	(2,591)	3,146
Total other income (expenses)	(74,198)	(73,472)	(726)	(218,931)	(218,847)	(84)
Income from continuing operations before income taxes	287,085	263,813	23,272	624,214	560,668	63,546
Provision for income taxes	113,191	107,205	(5,986)	247,202	224,773	(22,429)
Income from continuing operations	173,894	156,608	17,286	377,012	335,895	41,117
Loss from discontinued operations, net of tax	—	(4,423)	4,423	—	(6,288)	6,288
Net income	$173,894	$152,185	$ 21,709	$377,012	$329,607	$ 47,405
Basic earnings per share: (a)						
Income from continuing operations	$0.97	$0.87		$2.10	$1.88	
Loss from discontinued operations, net of tax	$0.00	$(0.02)		$0.00	$(0.04)	
Net income	$0.97	$0.85		$2.10	$1.84	

Diluted earnings per share: (a)				
Income from continuing operations	$0.96	$0.87	$2.09	$1.87
Loss from discontinued operations, net of tax	$0.00	$(0.02)	$0.00	$(0.03)
Net income	$0.96	$0.85	$2.09	$1.83
Average common shares outstanding during the period:				
Basic	179,578	178,992	179,534	178,800
Diluted	180,353	179,948	180,346	179,723

(a) Amounts may not sum due to rounding.

The following is a discussion of the consolidated results of operations for the three and nine months ended September 30, 2015 compared to the same periods in 2014:

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating revenues. Consolidated operating revenues for the quarter ended September 30, 2015 increased $50.0 million, or 5.9%, compared to the same quarter last year. Revenues in our Regulated Businesses segment rose $27.0 million, which was mainly attributable to increases in rates, infrastructure charges and increased demand, partially offset by decreased surcharges and balancing accounts in 2015. Revenues in our Market-Based Businesses segment rose $23.4 million, largely driven by incremental revenue from our military contracts due to increased construction type projects and the addition of two military bases in the second half of 2014 coupled with contract growth in our Homeowner Services (“HOS”) line of business and revenues as a result of the Keystone Acquisition in the third quarter of 2015. For further information, see the respective “Operating Revenues” discussions within the “Segment Results.”

Operation and maintenance. Consolidated O&M increased by $22.3 million, or 6.5%, compared to the same period in 2014 which was primarily attributable to an increase of $21.0 million in O&M costs associated with our Market-Based Businesses segment, principally due to increased activity under our military contracts associated with the operating revenue increase discussed above, incremental costs in HOS resulting from contract growth and the addition of O&M costs as a result of the Keystone acquisition. For further information on the changes in our Regulated Businesses and Market-Based Businesses segments’ O&M, see the respective “Operation and Maintenance” discussions within the “Segment Results” section below.

Depreciation and amortization. Depreciation and amortization expense increased by $4.4 million, or 4.1%, primarily as a result of additional utility plant placed in service.

Other income (expenses). Other expenses increased by $0.7 million, or 1.0%, compared to the same period in 2014. The increase is primarily due to an increase in interest expense, mainly as a result of a $550 million debt issuance in the third quarter of 2015, partially offset by higher allowance for funds used during construction in 2015.

Provision for income taxes. Our consolidated provision for income taxes increased $6.0 million, or 5.6%, to $113.2 million for the three months ended September 30, 2015, due to the increase in pre-tax income. The effective tax rate for the three months ended September 30, 2015 and 2014 was 39.4% and 40.6%, respectively. Included in the three months ended September 30, 2014 were $2.1 million of discrete tax charges associated with uncertain tax positions.

Loss from discontinued operations, net of tax. We disposed of our Terratec line of business, which was previously reported in our Market-Based Businesses segment, in the fourth quarter of 2014. These results were classified as discontinued operations for all periods presented. For the three months ended September 30, 2014, the loss from discontinued operations, net of tax, represents the operating results of Terratec for the period, costs associated with the then pending sale and an income tax valuation allowance.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating revenues. Consolidated operating revenues for the nine months ended September 30, 2015 increased $96.5 million, or 4.2%, compared to the same period last year. Revenues in our Market-Based Businesses segment rose $54.0 million, largely driven by incremental revenue from our military contracts due to increased construction type project activity and the addition of two military bases in the second half of 2014 coupled with contract growth in HOS and additional operating revenues attributable to the Keystone Acquisition. Revenues in our Regulated Businesses segment rose $43.5 million mainly attributable to rate increases, infrastructure charges and increased demand, partially offset by decreased surcharges and balancing accounts in 2015. For further information, see the respective

"Operating Revenues" discussions within the "Segment Results" section below.

Operation and maintenance. Consolidated O&M increased by $19.7 million, or 2.0%, compared to the same period in 2014. This increase was primarily attributable to an additional $48.0 million in O&M costs in our Market-Based Businesses segment, principally due to increased activity related to our military contracts, as noted in the operating revenue discussion above, incremental costs in the HOS line of business and the addition of O&M costs as a result of the Keystone Acquisition. Partially offsetting the increase were lower O&M costs in our Regulated Businesses segment of $26.6 million from continued cost management, lower production and authorized recovery of costs as a result of the finalization of our California general rate case in the first quarter of 2015. Also, included in the 2014 results were incremental costs of $10.3 million associated with the Freedom Industries chemical spill, primarily included in operating supplies and services and other O&M expenses. For further information on the changes in our Regulated Businesses and Market-Based Businesses segments' O&M, see the respective "Operation and Maintenance" discussions within the "Segment Results" section below.

Depreciation and amortization. Depreciation and amortization expense increased by $9.1 million, or 2.9%, primarily as a result of additional utility plant placed in service.

General taxes. General taxes increased $5.9 million, or 3.3%, primarily due to incremental business and occupation taxes and higher property tax assessments for various subsidiaries in our Regulated Businesses segment.

Other income (expenses). Other expenses increased by $0.1 million, compared to the same period in 2014. The increase was primarily due to incremental interest expense from additional debt issuances, including the $550.0 million debt issuance in the third quarter of 2015. Partially offsetting the increases was incremental income as a result of the authorization through the California rate case of a sharing mechanism between shareholders and customers for prior chemical contamination settlement proceeds of $4.1 million and the recovery of the allowance for borrowed funds used during construction on authorized business transformation project costs.

Provision for income taxes. Our consolidated provision for income taxes increased $22.4 million, or 10.0%, to $247.2 million for the nine months ended September 30, 2015, due to the increase in pre-tax income. The effective tax rates for the nine months ended September 30, 2015 and 2014 were 39.6% and 40.1%, respectively. Included in the nine months ended September 30, 2014 were $2.0 million of discrete tax charges associated with uncertain tax positions.

Loss from discontinued operations, net of tax. We disposed of our Terratec line of business, which was previously reported in our Market-Based Businesses segment, in the fourth quarter of 2014. These results were classified as discontinued operations for all periods presented. The disposition of Terratec was finalized in the fourth quarter of 2014. For the nine months ended September 30, 2014, the loss from discontinued operations, net of tax, represents the operating results of Terratec for the period, the cost of the then pending sale and an income tax valuation allowance.

Segment Results

We have two reportable segments: the Regulated Businesses and the Market-Based Businesses segments. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income before income taxes.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses Segment for the periods indicated:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
			Increase			Increase
	2015	2014	(Decrease)	2015	2014	(Decrease)
	(In thousands)					
Operating revenues	$780,729					