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American Water Works Company, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And our first question is coming from the line of Maria Karahalidis from Goldman Sachs. Please go ahead.

Maria Karahalidis – Goldman Sachs

Thank you. Good morning. Two questions please. The first is, can you discuss a little bit how you may be able to recover current and potential higher pension expenses and higher debt expenses in rates going forward. And secondly, can you give us an update on your expected timing for Trenton, and how we should be thinking about the incremental revenue that may come from that asset? Thank you.

Donald L. Correll

Ellen you take that.

Ellen C. Wolf

Yeah, let me take your first question on how to recover the pension expense from the debt expense. Pension expense, half of our states we are on, what's called our under FAS 87 rules and the other half, we are under rest of rules. For those, where we are under rest of rules, we are able to set up the pension expense as a regulatory asset. And so will be recovering it overtime. For those under FAS 87, we are starting a process where we will be discussing with the regulators, how we may have go about also potentially setting up an asset for that or talking about how we may find a way to put that in rates outside of our rate case cycle. And then finally for those where we are in the process of the rate case right now, we are going to go in and ask if we can update that rate case to include the new cost that are related to pension. On the debt expenses, we timed the raising of our debt to generally coincide with the rate case filing. So that we are raising the debt or going into long-term debt about the time we go in for rate cases and then we would be able to recover through that rate case.

Donald L. Correll

Your second question was relating to Trenton. Just as a reminder, this is a project that we started it on American Water almost two years ago. There was a procurement process that the city went through. We were the successful bidder and then we had to go through the negotiation of a contract and then ultimately a regulatory approval. The last step has proceeded through the regulatory approval process. We have a signed agreement with all of the various parties of interest. The signed agreement has received the necessary approvals from the City of Trenton Council and it is subject

now to BPU approval and we are hopeful that, that something that might happen within the next 30 days. We obviously can't predict the actual timing of that kind of approval, but the agreement is before the – it's been approved by the Administrative Law Judge and it is subject to the BPU's approval. So, we're hopeful that if that happens in the next 30 days that within two to three months from that period, we would be able to proceed with a closing and that's the status of today.

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