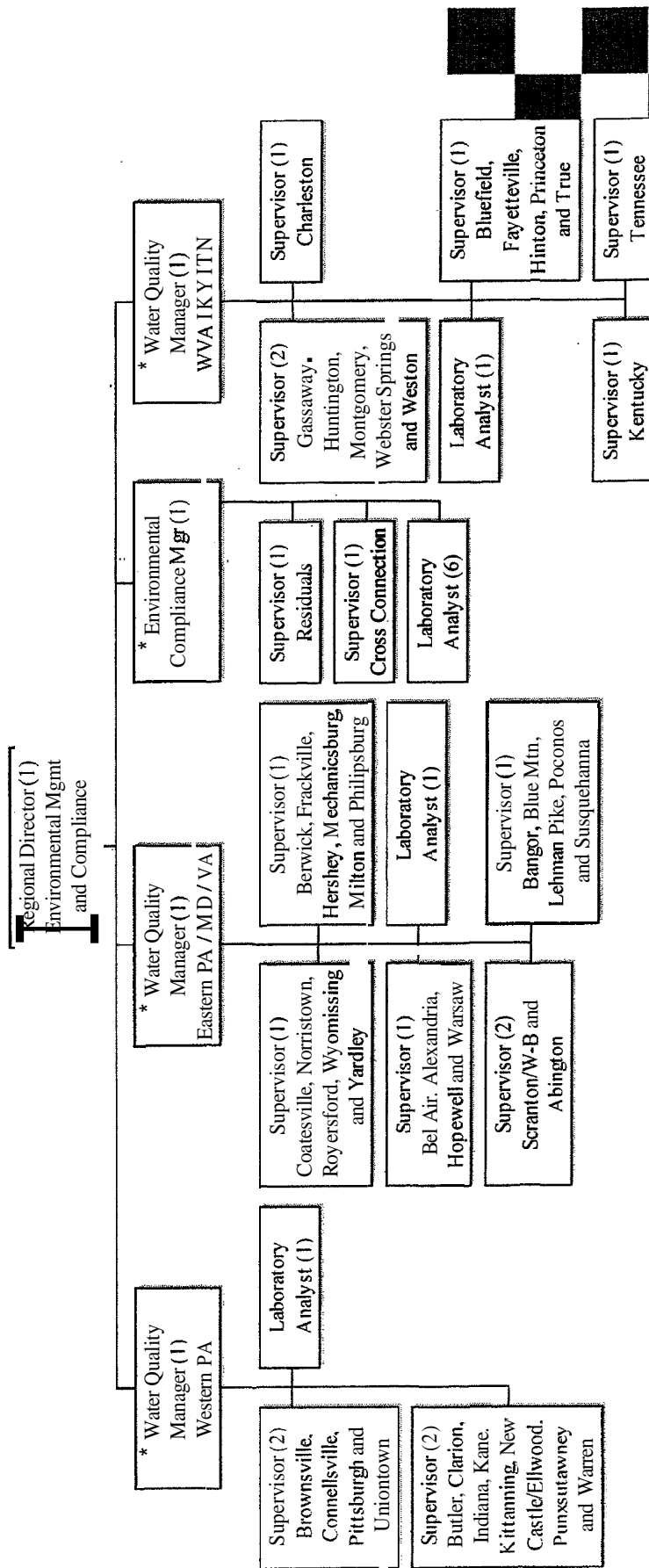




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 Environmental Management and Compliance

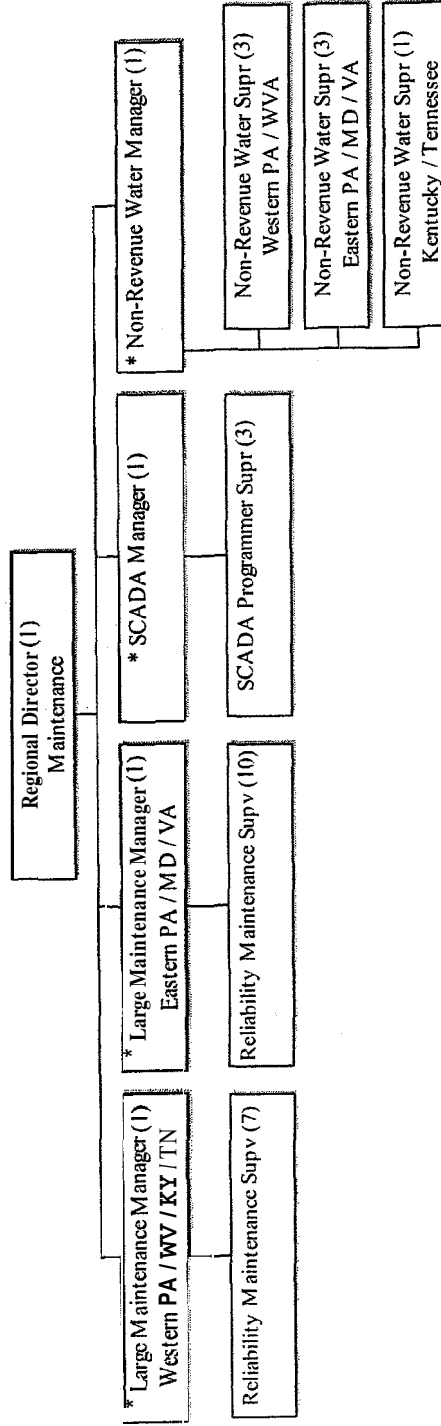


\* Posted on 4114104





**Southeastern Region**  
Service Delivery  
Maintenance

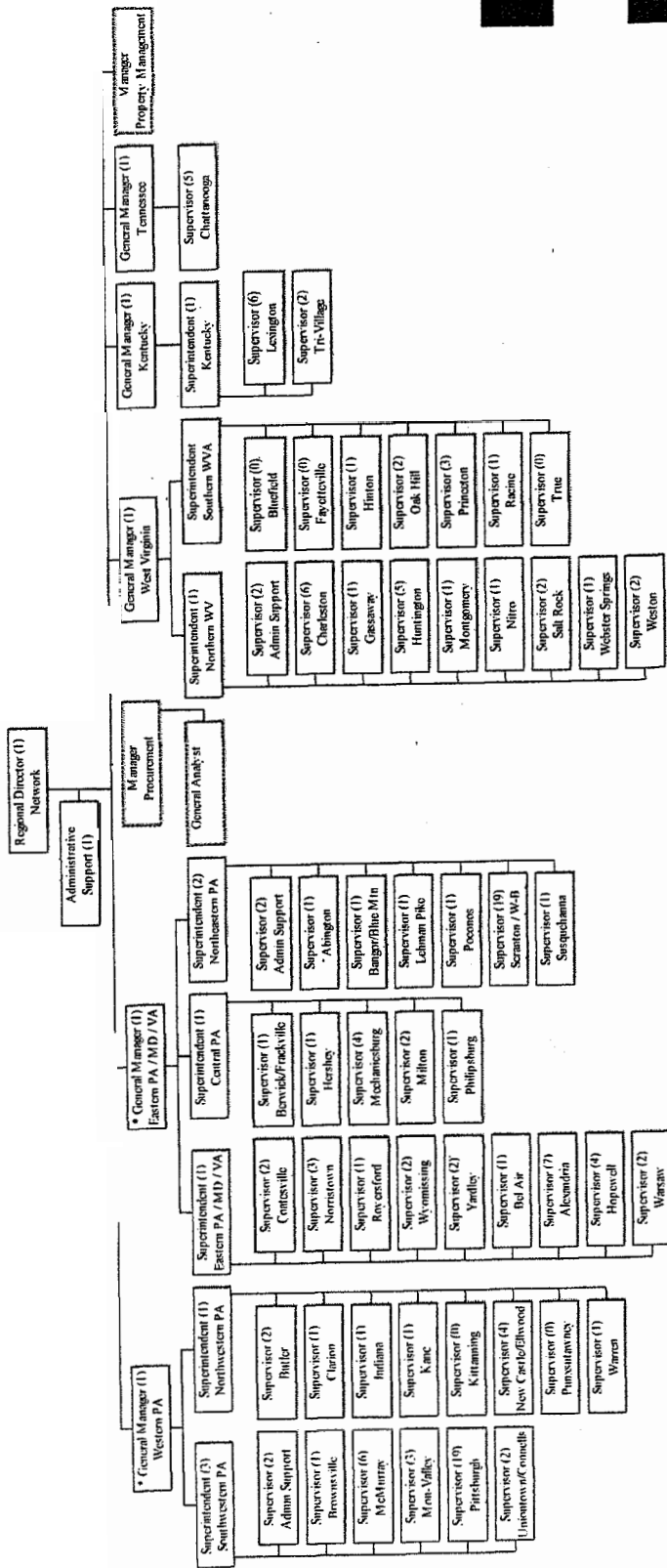


\* Posted on 4/14/04





**Southeastern Region  
Service Delivery  
Network**

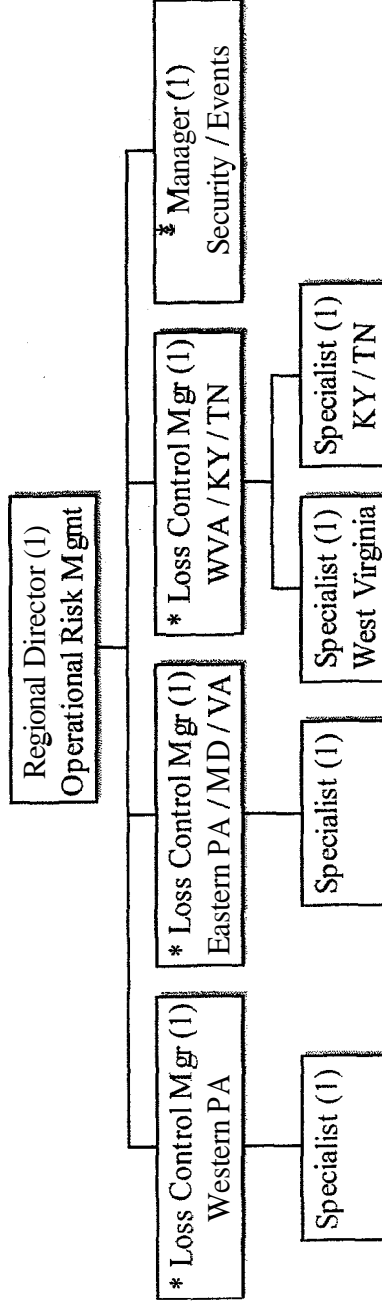


\* Posted on 4/14/04





**Southeastern Region**  
Service Delivery  
Operational Risk Management

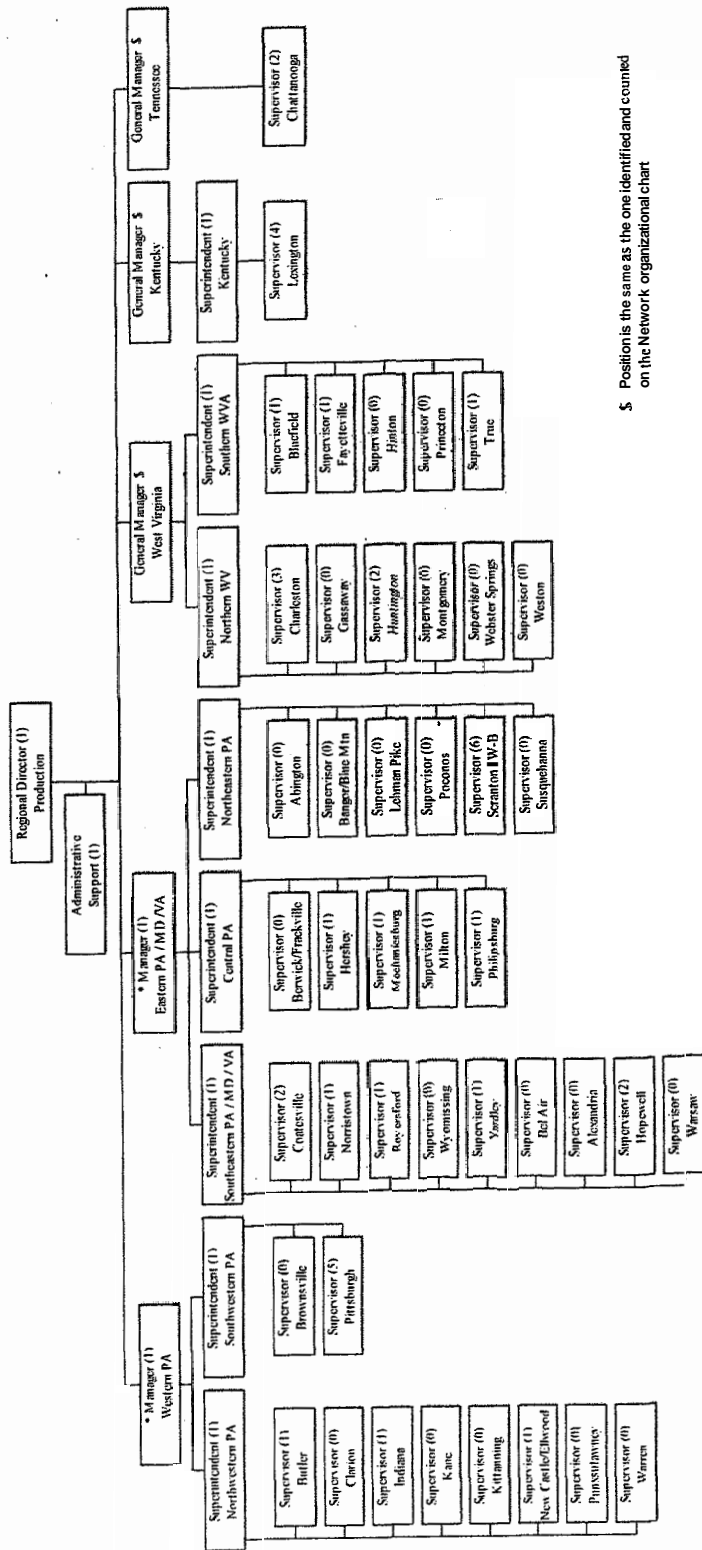


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**Southeastern Region  
Service Delivery  
Production**



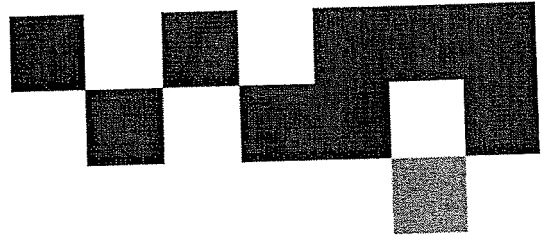
\* Position is the same as the one identified and counted on the Network organizational chart

Posted on 4/14/04



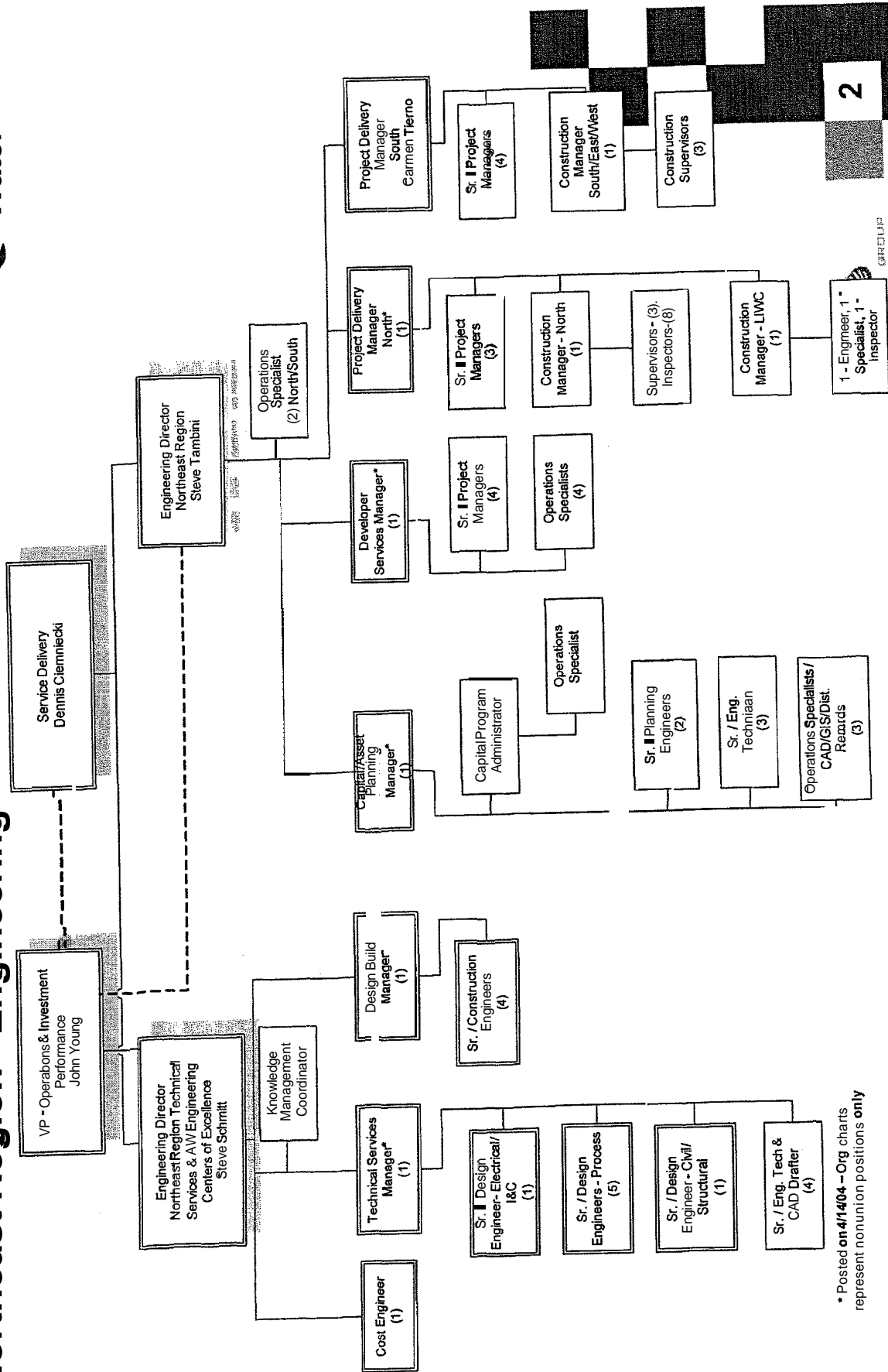


**American Water**  
**Structure Charts - Northeastern Region Engineering**  
**April 14, 2004**





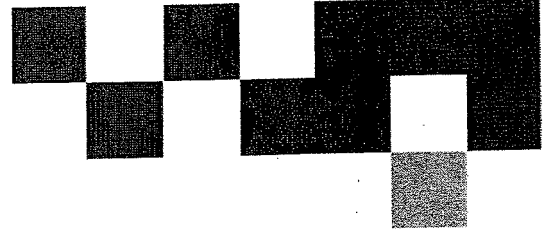
# Northeast Region - Engineering



\* Posted on 4/14/04 - Org charts represent nonunion positions only

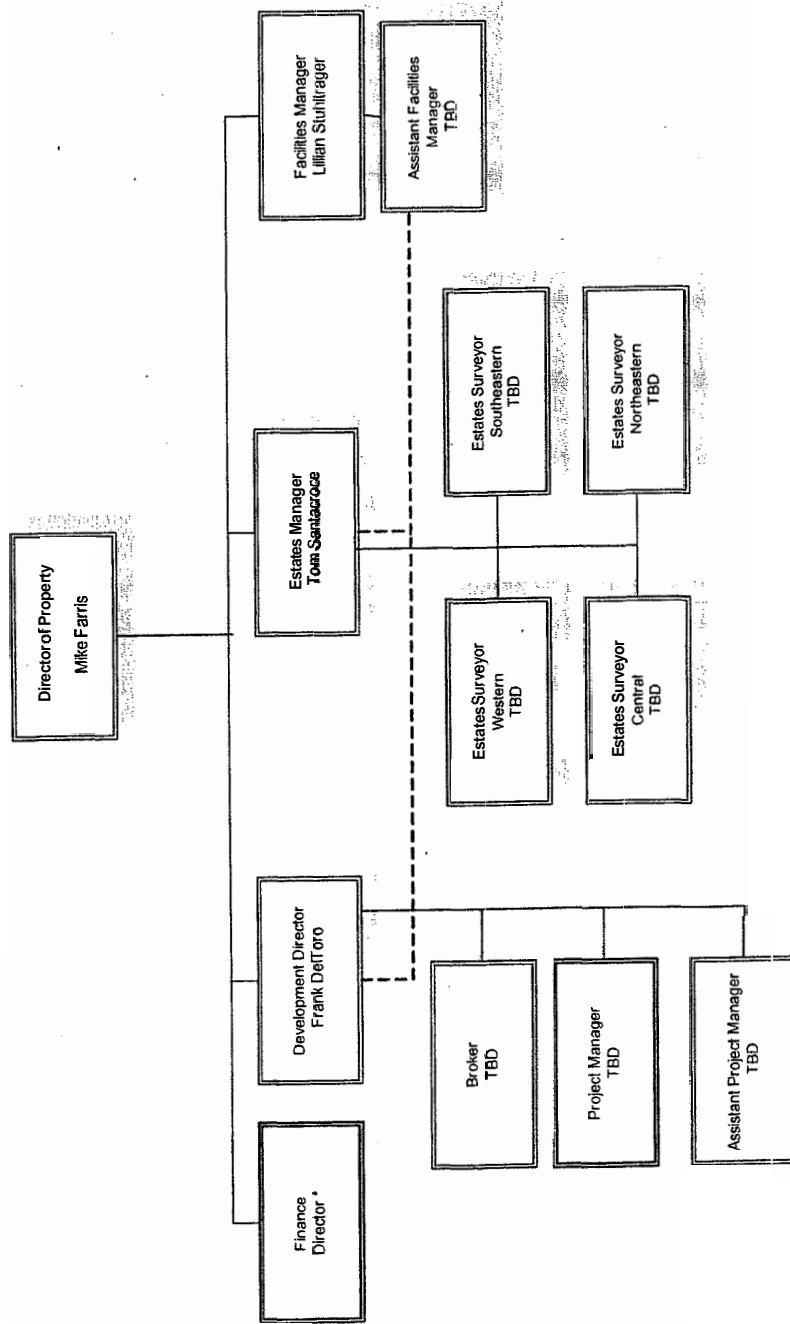


**American Water  
Business Center  
April 14, 2004**





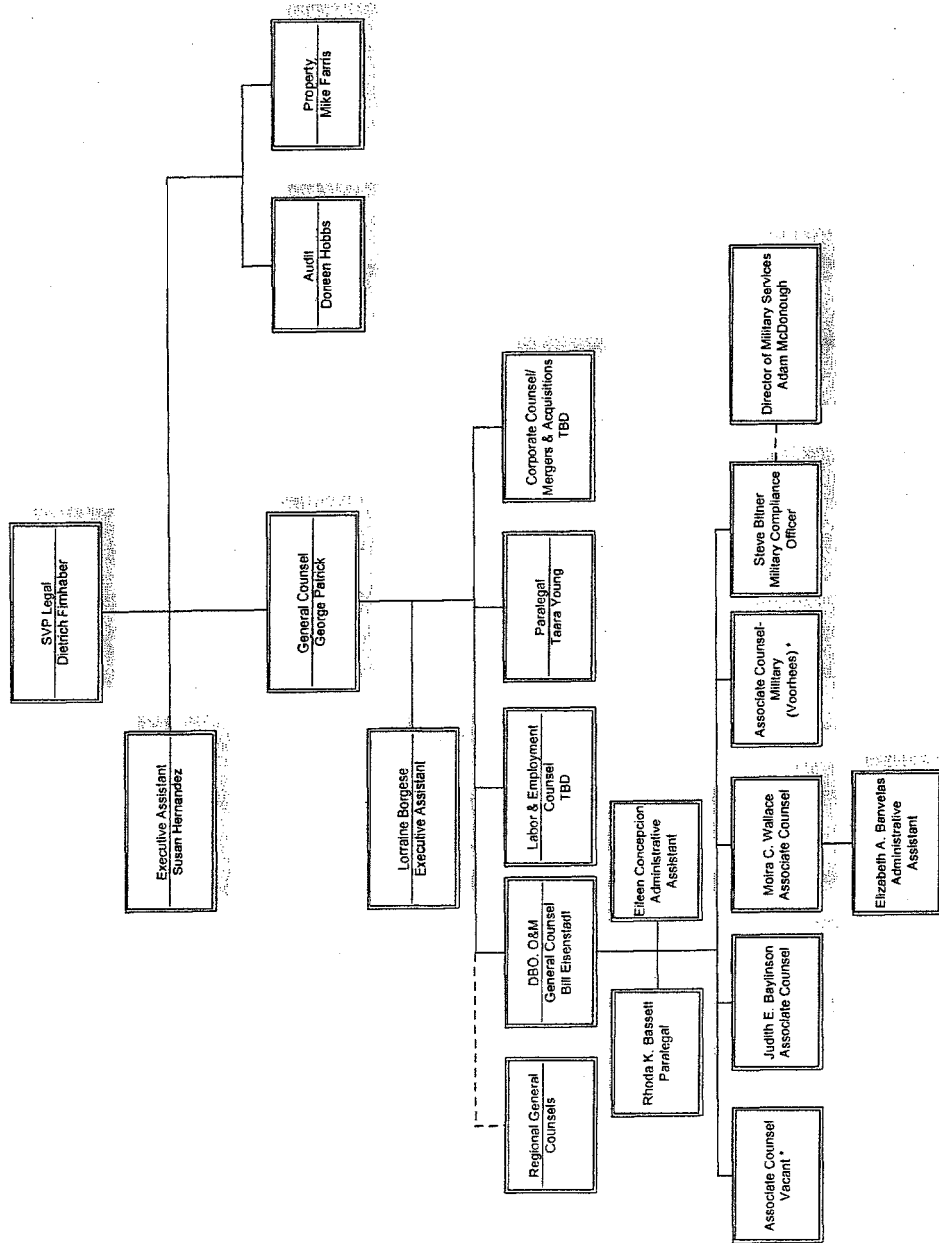
# Business Center – Property



\* Posted on 4/14/04



# Business Center – Legal – DBO O&M

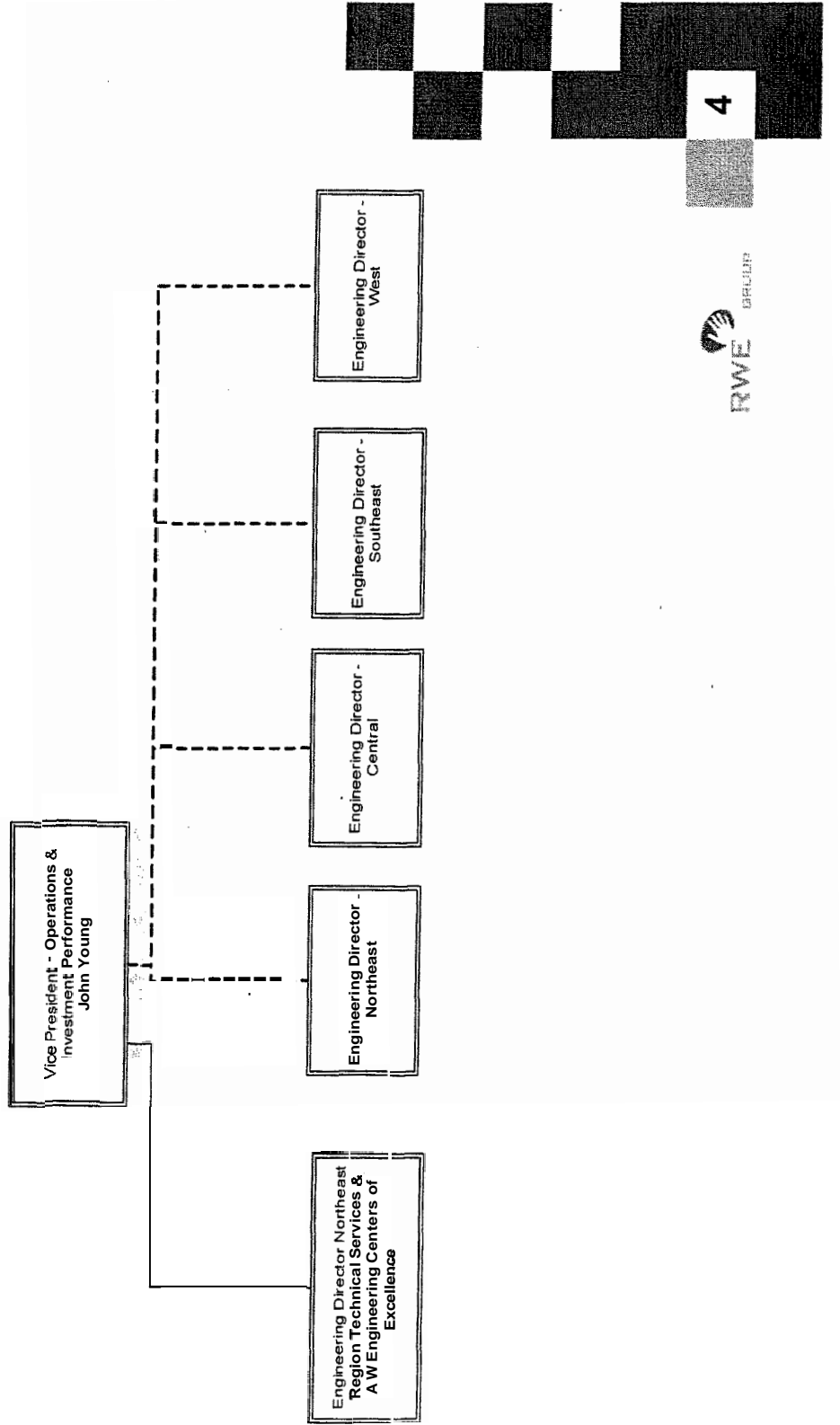


\* Posted on 4/14/04





# Business Center - Engineering





## Memo

To All American Water Employees From Jeremy Pelczer, President & CEO  
Date April 28, 2004 Phone 856.346.8302  
Subject: Organization Restructuring – Phase 4 Fax 856.346.8300

Dear Colleague,

Over the past several months, I have written to you regularly to keep you updated with announcements of our restructuring. Today, I wanted to communicate details of Phase 4 of our restructuring.

When we began our restructuring process with my November 19<sup>th</sup>, 2003 announcement of the Executive Management Team, along with our Vision and Strategy, I acknowledged much work was ahead of us to define remaining structures and roles. With today's announcement, we are marking an important stage of our journey, which is the start of the final phase of our management restructuring.

Despite a tremendous amount of time and dedication, we are not able to finalize the structures and roles for all of our Customer Service Center positions, the laboratories and some related environmental and water quality positions, nor our final Information Technology Services structures. There has been some very good work done on all of these areas, and I expect to be able to announce final structures and position postings by May 5, 2004. I appreciate the concern arising from the delay of a further week, but it is vital to complete the work in these critical internal service areas properly rather than publish structures that have not been finalized.

Accompanying this pack are:

- Structure charts for Shared Financial Services; Products & Services Military Proposals Group; Northeast Region Operational Risk Management, Engineering and Center of Excellence; Business Center Operational Investment and Performance; and STEP project  
Phase 4 Briefing Pack  
Detailed Q&As
- Structure charts for Western, Central and Southeast Regions, which will be sent separately to minimize computer processing time

Through the first three phases of our restructuring process we have relied heavily on PDI as an expert consultant. In Phase 4, we will also rely on outside consulting expertise to help expedite the assessment process, while maintaining the high level of quality we have committed to. The Phase 4 consultant is SHL, a company with an excellent reputation for conducting large-scale assessment processes. We anticipate as many as 800 employees will be involved in the Phase 4 process, so our Human

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# Memo

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Resources team, in conjunction with SHL, have developed the process, which is described in more detail in the attached Q & A pack. Briefly, the Phase 4 process will involve opportunities for applicants to receive information and instructions through conference calls and to have assessments, which are relevant to the supervisory/technical and professional nature of the roles performed in a more local geographic location than we were able to accommodate in the first three phases.

In the past few weeks I have met with hundreds of employees who have expressed to me both their support for the direction our company is moving and concern at the uncertainty until the review is complete. You have displayed a tremendous level of patience and understanding as we progressed through the restructuring phases to reach today's milestone. That patience, understanding and support is recognized and appreciated. While change such as we are undergoing is never far from an individual's mind, you have not allowed the uncertainty to get in the way of providing the very best quality of service to our customers. That is one of the things that make this company and its employees so special.

We also continue to receive feedback and questions from employees to our [letsachieveit@amwater.com](mailto:letsachieveit@amwater.com) site. I have reviewed every one of the more than 150 questions we have received. I am well aware of the questions that are on employees' minds, and we are taking steps to address those concerns just as quickly as possible. I am tracking closely our effort to get responses back in a timely manner.

While we are nearing the end of our management restructuring, I realize that also means some of our colleagues will now be leaving the business. That is certainly not an easy part of anyone's job, but it is an essential part of leadership to be sure we make the right decisions for the long-term interest of the company and its customers. I reiterated in my recent presentation to employees in Pittsburgh and Charleston that operational integrity (health & safety, water quality testing, environmental performance, network maintenance) is critical. The changes we look to make must not be at the expense of this. Rather, our intention is to find better ways to allow all our employees to work smarter.

I thank each of you for your past commitment to serving our customers, and for the continued patience and understanding you have displayed in the process we have been engaged in.

Yours sincerely,

Jeremy Pelczer



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## **Process**

### **Phase 3**

**1) Q: Have we finished Phase 3?**

**A)** We have completed the Phase 3, Wave 1 assessments and have begun the review of these results. Selection decisions for Phase 3, Wave 1 are expected to be completed by the end of May. We plan to complete the Phase 3, Wave 2 assessments by June 4, and selections by mid-June. However, a number of Phase 3 roles are yet to be posted. These positions are in our Laboratory Services area, Customer Services Center and Information Technology Services. We will post these roles on May 5<sup>th</sup>.

**2) Q: Why has there been a delay in some Phase 3 postings?**

**A)** The posting of management positions in our Customer and Shared Financial Services Centers has been delayed to ensure that the regions and functional heads in Voorhees have had a chance to comment on the proposals. As these groups provide critical internal services across the company, it is essential that we have their agreement to the new structure and roles.

**3) Q: When will I find out if I have been successful in my application?**

**A)** Once all the candidates for the position(s) have been assessed and reviewed by the hiring manager, you will be informed of the outcome. We are currently scheduling the remaining Wave 1 reviews. It is anticipated that the selection decisions for Phase 3 Wave 1 will be completed by the end of May and those for Phase 3 Wave 2 will be completed by mid-June. The hiring manager will be able to give you further information about the specific timings of these sessions in the next few weeks.

**4) Q: When will we see the outcomes of the Phase 3 postings?**

**A)** We will communicate the outcomes of the Phase 3 selection process to the business through the publication of structure charts. These charts will be communicated once the selection decisions for all the roles within a particular function, or each part of the business have been completed.

### **Phase 4**

**5) Q: Have all the management positions now been posted?**

**A)** As a result of the restructuring a number of roles have materially changed or been eliminated. Where this change has occurred we have posted the relevant roles. As a result of today's Phase 4 postings we have now largely completed this task for managerial positions. However, we still have a number of roles in our Laboratory Services area, Customer Services Center, Shared Financial Services and Information Technology Services, which we will post on May 5<sup>th</sup>.

**6) Will there be any more phases?**

**A)** Yes. Now that we have fully designed our new management organization structure, we will need to examine what affects the changes will have on non-management, non-

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exempt positions. These will involve organizational efficiencies, and our current estimate is that about 100 non-exempt positions will be able to be eliminated by the end of 2004.

**7) Q: Now that the restructuring process has progressed to Phase 4, what is the expected number of positions that will be eliminated?**

A) At the beginning of the process, we anticipated eliminating approximately 350 positions. We now have reduced the number of positions that are expected to be eliminated in Phases 1-4 to approximately 300. The principle reason for the change is that, after having analyzed the various functions and received the input from the individuals appointed to positions in each of the phases, we have determined certain positions that were expected to be eliminated are important to our ability to maintain the reliability and integrity of our operations, which we have always said is one of our highest priorities.

**8) Q: Is the assessment process in Phase 4 going to be different than the one used in Phase 3, and if so, how?**

A) The assessment process used in Phases 1-3 was designed to evaluate the behaviors necessary to be successful in executive and more senior managerial roles. To assess the supervisory and technical/professional roles being posted in Phase 4, we have designed a process, which is more relevant for the roles we are posting. To do this we have worked with individuals within these functional areas who understand the requirements of the roles and specialists in job analysis to identify the behaviors required to be successful in these roles.

**9) Q: Who is SHL?**

A) SHL is a company with an excellent reputation for the quality of their assessment tools and processes. They have been selected to work with us in Phase 4 because they have extensive experience assessing supervisory and specialist roles and delivering large-scale assessment projects.

**10) Q: Why have we changed from PDI to SHL in Phase 4?**

A) SHL is a company that has partnered with RWE/Thames Water many times on employee assessments for both recruitment and selection, and for development purposes. SHL were successfully engaged by the Northeast Region to support the integration of New Jersey American with E'Town Water.

SHL has the expertise and capacity to handle the large volume of assessments that we are undertaking as part of Phase 4. PDI has been outstanding in their support of us, and we have benefited from their professional insight as we have made our selection decisions. The same standard will apply to the assessments undertaken by SHL. SHL is using a similar process to assess individuals and it is based on our competencies and values. One further difference between PDI and SHL is around SHL's area of expertise in supervisory and junior management positions. PDI tend to focus on senior management and executive level assessments, where SHL have a broader range of assessment skills and tools.

Finally, we are determined to get through the assessment process in Phase 4 as quickly as possible to provide certainty to employees. PDI is still involved in the Phase 3 process,

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and will also have some assessment responsibilities for certain Phase 4 jobs. As a result we needed to add resources to the process in order to meet our timescales.

**11) Q: If I have been assessed by PDI, will I be disadvantaged if I am compared with other candidates assessed by SHL, or visa versa?**

**A)** There is a reasonable 'read across' from PDI to SHL in assessment terms because the job analysis and assessment tools are based on the same competency and role definitions. The process will be equally fair and objective regardless of who assesses each individual and no one group will be advantaged or disadvantaged in the process.

**12) Q: How will I know if I have been successful in my application?**

**A)** Your local HR team and the hiring manager will review your resume and assess your qualifications and experience in line with the requirements for the role for which you have applied. If they feel that your skills and experience match the requirements for the role, a member of your local HR team will contact you to let you know that you have been short-listed for assessment. If you are unsuccessful in your application you should discuss your options in light of this decision with your local HR team.

**13) Q: What happens once I have been short-listed?**

**A)** Short-listed candidates will be invited by HR to attend a one-day assessment event. Invitations will include information about the date, location and agenda for the day. These events will run between May 26 and June 30<sup>th</sup>, 2004 and will be hosted in three regional locations – Plymouth Meeting (PA), St. Louis (MO) or Phoenix (AZ).

In addition, candidates will be given information about how they can dial into a one-hour briefing session hosted by SHL on May 13<sup>th</sup> and 14<sup>th</sup>. There will be a number of these one-hour calls and you will be able to choose the time that is most convenient for you. The briefing will give candidates more detail about the assessment day and provide an opportunity to ask questions about the assessment event. The timings of these sessions will be included in the information sent with the invitation.

**14) Q: What will happen at the assessment center?**

**A)** The assessment center will be run by SHL consultants, American Water HR and hiring managers. It will include a structured interview and a work styles questionnaire and for some positions, additional job-related tests..

**15) Q: What happens after I have attended the Assessment Day?**

**A)** Following your attendance at the Assessment Day, SHL will compile the results for all the candidates who have been assessed for the position(s) you have applied for. These results will then be reviewed by a selection panel, which include a member of your local HR team, an SHL consultant and a member of the appropriate Management team. These 'wash-up' discussions will be held between July 5<sup>th</sup> -23<sup>rd</sup>. Selection decisions will be made during this period and will be communicated to candidates as soon as possible.

**16) Q: What is the process for exiting the business if I am finally laid-off?**

**A)** Your local Human Resource Manager will contact you to confirm your status in the process. Prior to any lay-off, the local HR manager will explain your severance benefits





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and agree your final day of work. The Benefits Call Center will be available to you to discuss your benefits (866-888-8269). In your last few days of service, you will be presented with the relevant Severance Agreement and you will then be given up to 45 days, depending on your circumstances, to execute the Agreement. Seven days from that point forward, a "revocation period" will commence. At the conclusion of the 7-day "revocation period," your severance will be processed and you will be mailed a check in final settlement of your severance pay. You will receive your COBRA notification at this time. Other logistical arrangements to do with your leaving the company will be managed by your local HR team who will have a detailed procedure to follow.

**17) Q: How are we making sure that individuals who are surplus in one part of the business do not leave the company, when another part of the business has a need for their skills and experience?**

**A)** We will be making every effort to ensure that we do not lose skilled and experienced people who may be transferable to other parts of the business. A 'redeployment process' is being established to review the resumes of individuals confirmed as being surplus and attempt to match them to needs in other parts of the business. Individuals will be asked by their local HR manager to confirm whether they are mobile and whether they are prepared, in principle, to consider other roles. With the forecasted growth in our contract O&M, there are likely to be some opportunities. These roles will have the AWS terms and conditions.

The HR team at the Business Center will be attempting to "broker" the redeployment efforts across the business in a way that is quick, efficient and sensitive to the needs of the individuals. The details of this process will be confirmed next week.

**18) Q: How can I find out who has been appointed in the new structure, and who is leaving?**

**A)** At various stages of the restructuring, we will publish structure charts showing names of employees appointed to positions.

**19) Q: When exactly is the integration of the contract O&M business scheduled to take place? What is the target date?**

**A)** Integration will happen over a period of time. Responsibility for Business Development, External Affairs and Health & Safety has already passed to the Regions. Operational integration will occur during the 3<sup>rd</sup> and 4<sup>th</sup> quarters, and financial integration will occur as of December 31, to allow time for appropriate finance systems and processes to be developed to support the integrated business.

**Benefits and Compensation**

**20) Q: I have been successful in my application for a position, the salary is less than my current salary, but I want to take the position. How will the salary reduction take effect?**

**A)** The no detriment promise is in effect until July 10, 2004. This means that there will be no reductions to an employee's salary until August 1, 2004. After this date, we will be adjusting salaries to fit within the new ranges, which are based on the market rate for each job.



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To establish the market price of the jobs in the new structure, we have retained a worldwide compensation consulting firm with expertise in this field. Each position we examine is compared to similar "size and scope" positions in other related businesses, and a rate is established. The rate is based on the median salary level amongst the comparator group and then a 'minimum to maximum' range is defined.

Your line manager and HR manager will discuss how any reduction in salary will be managed with you. We anticipate that, in most cases, the salary reduction will be made effective from August 1, 2004 and reflected in your pay on August 20, 2004 - for example, an individual on a current salary of \$78,000 may move to a new salary of \$70,000 to put them in line with the market rate for their job, effective from August 1, 2004.

**21) Q: I am an employee of an American Water utility. If my salary is reduced, what happens to my Annual Incentive Plan (AIP)?**

**A)** During 2004, your AIP target and maximum opportunity levels (i.e. the percentage level) will remain unchanged even if your salary is reduced. However, any payment under the 2004 plan will be calculated on your salary as of December 31, 2004.

After 2004, continuing eligibility for the AIP will be reviewed. You will be advised if you cease to be eligible or your target and maximum opportunity levels decrease.

If you continue to be eligible from 2005 onwards, your target and maximum opportunity levels will reflect your new position, and will be advised to you in due course. The award may be lower than your current opportunity levels

**22) Q: Will my salary be reviewed on the normal schedule if it has been reduced as part of the restructuring?**

**A)** Your salary will next be reviewed in April, 2005 using relevant market and performance review data.

**Products & Services**

**23) Q: There is a rumor that the contract O&M business is going to be sold. Can you address this?**

**A)** There are no plans to sell the contract O&M business. On the contrary, success in the O&M business is one of the key areas of growth underpinning the AW business plan, and we are committed to expanding the services we provide through the O&M business. Walter Lynch and his leadership team are optimizing the performance of our existing O&M contracts as part of our transition of the U.S. O&M contracts into the regions during 2004.

**24) Q: What is the plan to integrate the owned utility and contract O&M business? If there is concern expressed from the economic regulatory commission, how will this be handled?**

**A)** Key principles underpinning our plan to integrate the owned utility and contract O&M business are to reduce potential customer confusion by presenting a single face to our customers, and to improve our customer offering and service levels. Integration will be achieved through transferring management and operational responsibility for municipal and military O&M contracts within the United States from the Products & Services Group



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to the four Regions. Our Canadian O&M business remains important, and will continue to be part of the Products & Services Group led by Walter Lynch. Responsibility for Business Development, External Affairs and Health & Safety is already being managed under this model. There is no 'one size fits all' approach to dealing with the economic regulator in each state. We believe that combining the owned utility business with the contract O&M business under a single management structure will provide benefits for all customers. Detailed plans and timelines for communicating the benefit of our management approach will be developed by each region.

**25) Q: How will the finance-function be handled when management of the two groups are integrated?**

**A)** A Finance Workshop has been scheduled for the week commencing May 10, which will be attended by finance personnel from each of the four Regions; from AWS; and from the Voorhees Business Center. This workshop will provide a forum for pertinent issues to be analyzed and discussed, and will provide the Integration Steering Committee with a detailed plan for achieving finance integration by no later than January 1, 2005. Members of the Integration Steering Committee include Walter Lynch, Michael Carmedy, Paul Foran, Opuiyo Oforiokuma and Nick Rowe.

**26) Q: What is the plan for O&M and other business lines in Canada?**

**A)** The entire business portfolio in Canada will remain part of the Products & Services Group. Walter Lynch will continue to lead that part of the organization, and with his management and staff, continue to seek opportunities to grow, and to increase value contribution.

**27) Q: How will management consolidation of the owned utility business with the U.S. contract O&M business impact the project managers and their staff?**

**A)** The organizational structure for integrating management of the contract O&M business with the owned utility business is still being finalized. The structure we are developing, however, will ensure that the key talent, skills and capabilities that AWS staff possess remain within the business, and that the continuity of customer service and operations is maintained. An obvious impact is that project managers and their staff will report through the respective Regional Service Delivery Managers, rather than through Products & Services Group. A new Contract Manager role, whose primary focus will be the contract O&M business, will be positioned in each region. The role will be very similar in responsibilities to the District Director role currently in AWS Products & Services.

**28) Q: What is the communication plan regarding the management integration of the owned utility business and contract O&M business?**

**A)** Our External Affairs team in the Business Center and Regions are working with leaders of the Products & Services Group to develop internal and external communications plans to meet the needs of all stakeholders. As the transition plan progresses, we are also developing a communications plan which will be similar to that used during our restructuring process to date. We will select the most suitable communication channel through which to deliver key messages, including through the Q & As being published today.



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**29) Q: Who will be communicating the changes to the clients and how will they be communicated?**

**A)** The Regional MDs, and External Affairs leaders will work closely with the Products & Services Group senior management in determining the key messages to pass on to our clients; when this should happen; and who is the most appropriate person to deliver such communication. In so doing, we will seek to draw on the client knowledge and relationships that are already possessed by key personnel involved with the contracts. This collaborative approach will recognize differences in client preferences and their characteristics, and will seek to maintain a familiar face in front of clients. Client communication will take a variety of forms, including face-to-face meetings and written communication.

**30) Q: A new VP of wastewater was recently appointed. What does this mean to the O&M projects?**

**A)** On April 26, Jeremy Pelczer confirmed that the new VP Wastewater Services, Graham Wood, will work with the Regional business development teams to develop the wastewater business strategy for American Water in order to accelerate our growth in this key new market. Graham will seek out opportunities to leverage and build on our wastewater capabilities and grow our business through the reputation we have established in our existing markets. Graham's extensive knowledge and experience of wastewater operations will also be available to support the Regions in developing plans to optimize our current wastewater projects and to increase the value contribution to the business of those current operations. In addition, he will support the transition of AWS wastewater contracts into the four Regions.

**31) Q: Will the contract O&M business pay scales be consistent with the owned utility business? Will holidays and vacation be consistent?**

**A)** Pay scales, holidays and vacations represent part of the total compensation package. While there may be differences in specific components of total compensation, our goal will be to always have a market-competitive total compensation for each position. There are no immediate plans to change pay scales and benefits of employees transferring to the Regions from Products & Services Group. We will, however, continuously review all compensation and rewards on an ongoing basis, to ensure consistency with employee roles and responsibilities and market conditions.

**32) Q: I am an AWS employee. If I post for a job within a regulated business within a region and am successful, what pay and benefits structure will apply? Will I remain on the AWS pay scale and benefits programs?**

**A)** From your date of appointment you will transfer onto the pay and benefits structure for the regulated business. You will be advised of the terms and conditions at or before the time of offer.

**33) Q: I currently work at an AWS O&M project site. What happens when we transfer into one of the four regions?**

**A)** You will remain an AWS employee, under AWS policies and procedures, and on your current AWS pay and benefits structure. This is in line with our Business Principles whereby we pay the appropriate market rates for the different markets and business environments in which we operate.



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**34) Q:** When an employee applies for a posted position, the salary and location information is not released. If one applies for a position and the location is later released, will one be penalized for withdrawing an application for that position due to the fact that the location is not desired?

**A)** No. There will be no penalty for withdrawing when a good faith application has been made. Our HR team and their consultants are putting great effort into developing the details for each position, so applicants will know everything about a position as soon as possible.

**35) Q:** Will the HR organization in the Products & Services Group be integrated with the HR function of the regions?

**A)** The regional HR teams will be responsible for human resources administration in the contract O&M, military and owned utility businesses. After the integration of the U.S. O&M contract and military business into the Regions, the Products & Services Group will continue to operate a number of business lines (e.g., Service Line, Residuals and UID). These businesses will continue to have dedicated HR support as needed.

**36) Q:** Does the integration of the U.S. contract O&M with the owned utility business mean I must reapply or bid for my position? How will jobs be affected at the project level? How will jobs at the corporate level be affected?

**A)** The integration does not automatically mean that the Products & Services Group personnel will have to reapply or bid for their positions. In line with the principles applied during earlier phases of the restructuring process, there will be no need to post jobs that are not materially changed. In such circumstances, incumbents will be able to continue in their existing roles. Jobs that are considered to have materially changed will be posted. Anyone who wishes to will be able to apply for posted jobs.

### **Customer and Shared Business Services**

**37) Q:** Why aren't all the Laboratory Analyst positions shown on previous organizational charts shown in the Phase 4 postings?

**A)** As part of the Business Services Optimization Project, an evaluation of laboratory services across the company has been conducted. One key opportunity identified within the project was the consolidation of regional laboratories, (chemical analysis only), with the laboratory in Belleville, IL. Positions impacted by this project will not be posted until next week to allow time to align the Regional and Belleville organizations.

**38) Q:** What positions will be posted next week?

**A)** Next week we will post positions in the laboratories and some related environmental and water quality positions, Information Technology Services, and some Business Center HR roles.

**39) Q:** Why were there no ITS positions listed during this posting?

**A)** The ITS positions will be posted May 5<sup>th</sup>. Additional time is required to determine the STEP program ITS resource requirements, and to properly align Design Authority within the ITS function. The roles within the Design Authority were posted on April 28<sup>th</sup>.

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**40) Q: The organization chart for Shared Financial Services shows a significant increase in the number of posts. Are all of these going to be based at the Center in Mount Laurel, and if so, how will they all fit in?**

**A)** It is intended that, eventually, everyone who works in Shared Financial Services will be based at Mount Laurel but in order to accommodate them all, this will require considerable remodeling of the building and additional parking. Our Property Group will be looking at the options and will develop a plan for how we can achieve this. In the meantime, we will make the best use of the space we have available, which means that some of the new posts or teams joining the SFSC, as part of this restructuring will be able to move into the Center fairly quickly but others may have to wait. We have not made a final decision yet on whom this will affect.

**41) Q: In an earlier set of Q & As, you announced that the Benefits Service Center would be transferring to Shared Financial Services. Is this still the plan and when will this take place?**

**A)** Yes, the Benefits Service Center will be transferring to Shared Financial Services as part of the Employee Services team. The date for this to happen is dependant upon the appointment of the Employee Services Manager, which is being posted as part of the April 28<sup>th</sup> postings. We are looking at the accommodation needs of the Benefits team and will develop a plan with our Property Group on how we can accommodate the team at Mount Laurel that meets data security requirements. No date has been set yet for this move to happen.

**42) Q: What has happened to the SAP Transition team in Shared Financial Services that is responsible for managing the E'Town financial services?**

**A)** When the support for E'Town was moved to Shared Financial Services, we set up a separate team with specific SAP experience to manage that transition and provide dedicated services to E'Town. Now that this transition is substantially complete, we have decided to integrate this team with the appropriate functional teams within Shared Services (General Accounting, Cash Management, Fixed Assets and Payroll) and Procurement (Accounts Payable). E'Town will continue to have the dedicated support and this will be the responsibility of the functional team Managers. This move will create more opportunity for SAP knowledge transfer within the teams, in preparation for the STEP project, and will provide a wider pool of expertise to support E'Town.

**43) Q: Why is Shared Financial Services getting bigger when the rest of the organization has to reduce the number of jobs?**

**A)** Part of the restructuring has included the creation of a new 'slimmed down' Business Center that focuses on governance, strategy and policy. This has led to the need to transfer out those activities that are more operational or transactional in nature. Some of those activities are transferring to Shared Financial Services, particularly those from Corporate Finance and HR, and the teams have worked together to identify these activities and the resources needed to perform them. Moving new activities into Shared Financial Services has enabled us to create synergies with our existing responsibilities and we have also examined our current activities to identify further efficiency savings. So, although new jobs are being created in Shared Financial Services, this is due to a substantial increase in workload and these additions are more than offset by the decrease in staff in the corporate HR and Finance areas.

April 28, 2004  
American Water  
Restructuring Communication – Q & A

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**46) Q: Are positions in the Benefits Call Center going to be part of the restructuring?**

**A)** Only the lead position will be posted. The remaining positions in the Benefits Call Center are not materially changing, so incumbents will remain in post. The posting of the lead position is tied to the transition of the Benefits Call Center into the Shared Financial Services Center.

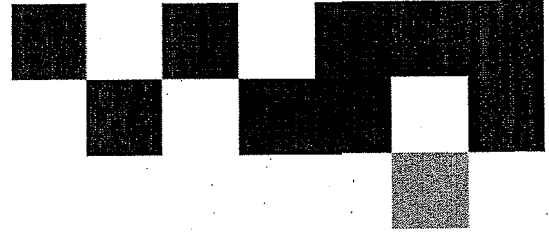
**47) Q: Why are there positions posted within Customer Services, yet there is no organization chart for the Customer Service Center?**

**A)** Current vacancies and key roles within the Customer Service Center have been posted today in order to expedite the recruitment and selection process within this critical part of the business. The organization chart for the Customer Service Center will appear in next week's communication on May 5<sup>th</sup>, along with a more comprehensive pack on all the recent changes within the Customer and Shared Business Services functions.



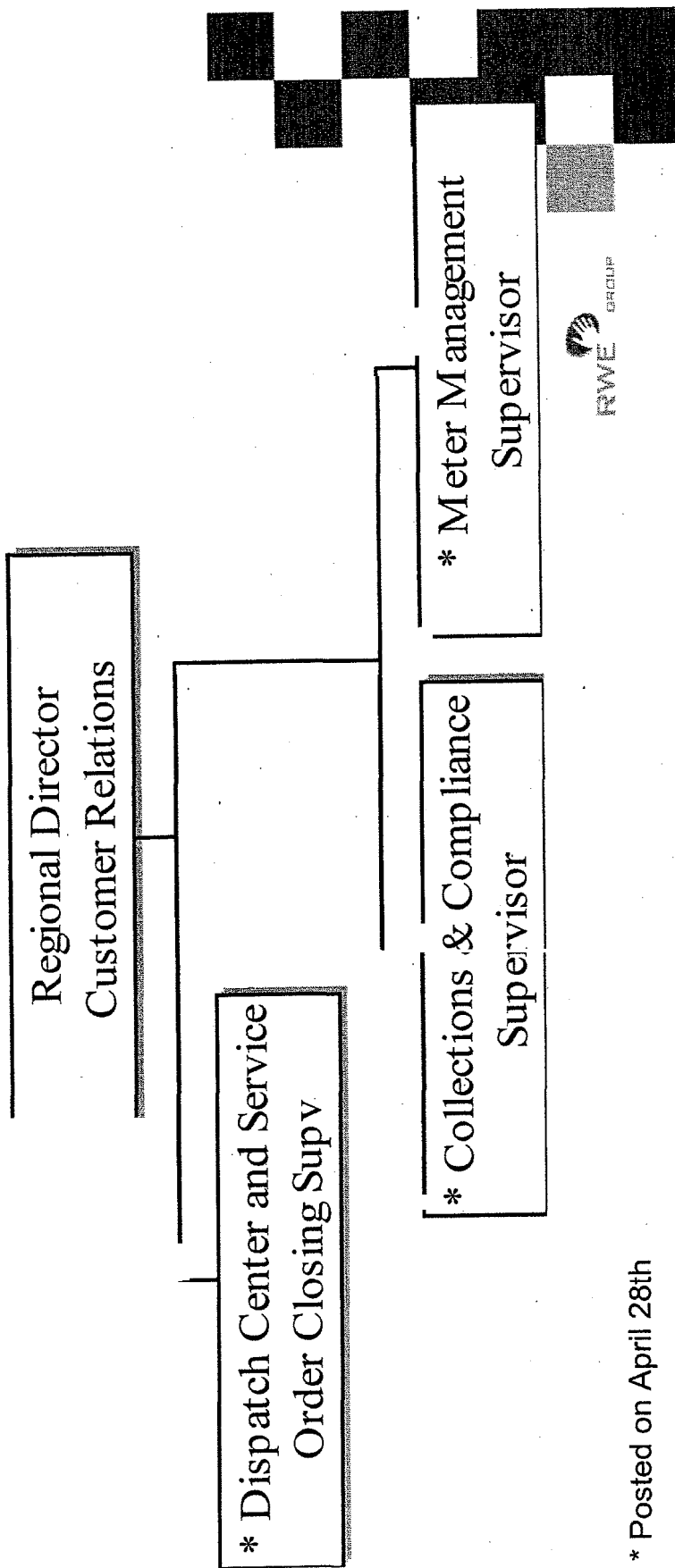
# Southeastern Region Structure Charts

April 28<sup>th</sup>, 2004 – Phase 4





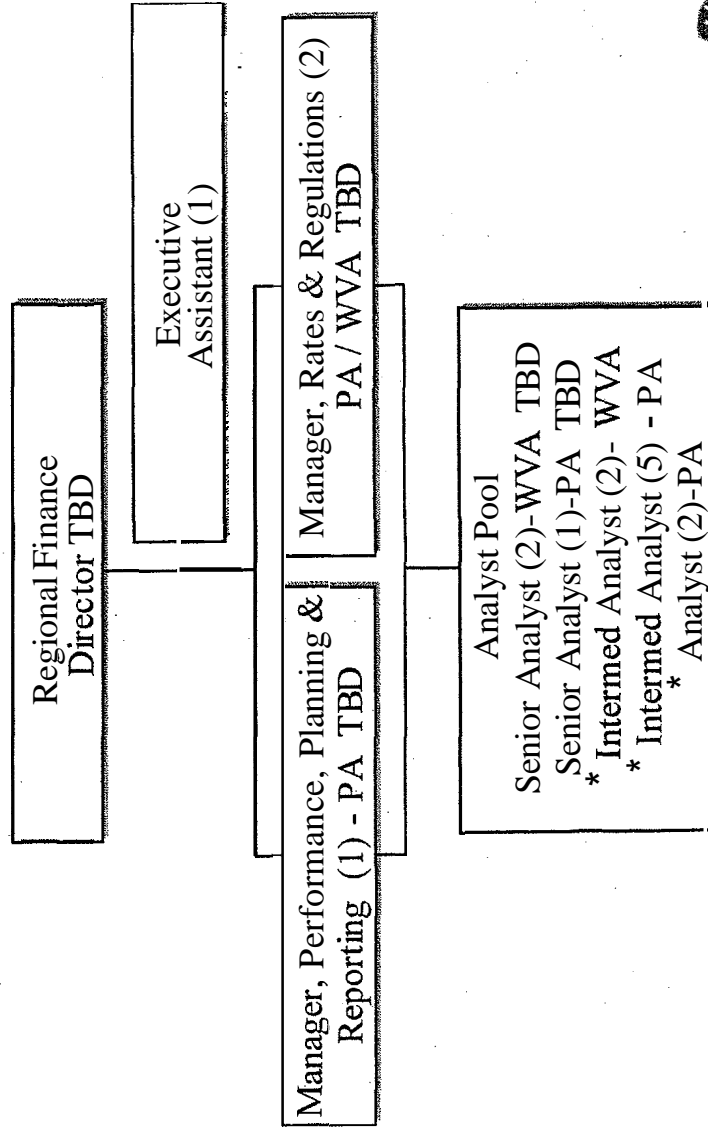
**Southeastern Region**  
Service Delivery  
Customer Relations



\* Posted on April 28th



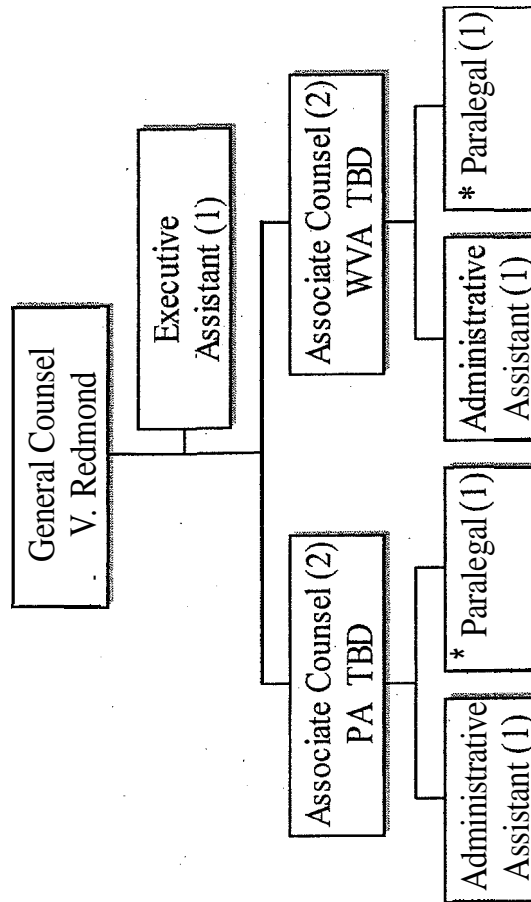
Southeastern Region  
Finance



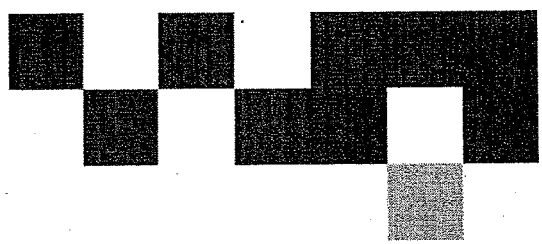
\* Posted on April 28th



Southeastern Region  
Legal

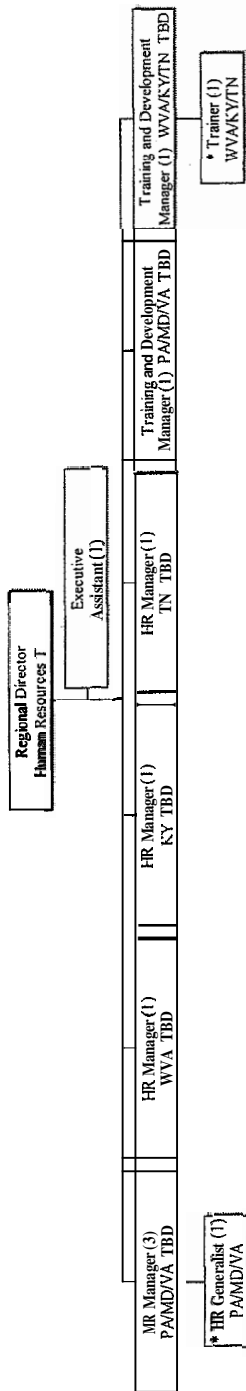


\* Posted on April 28th





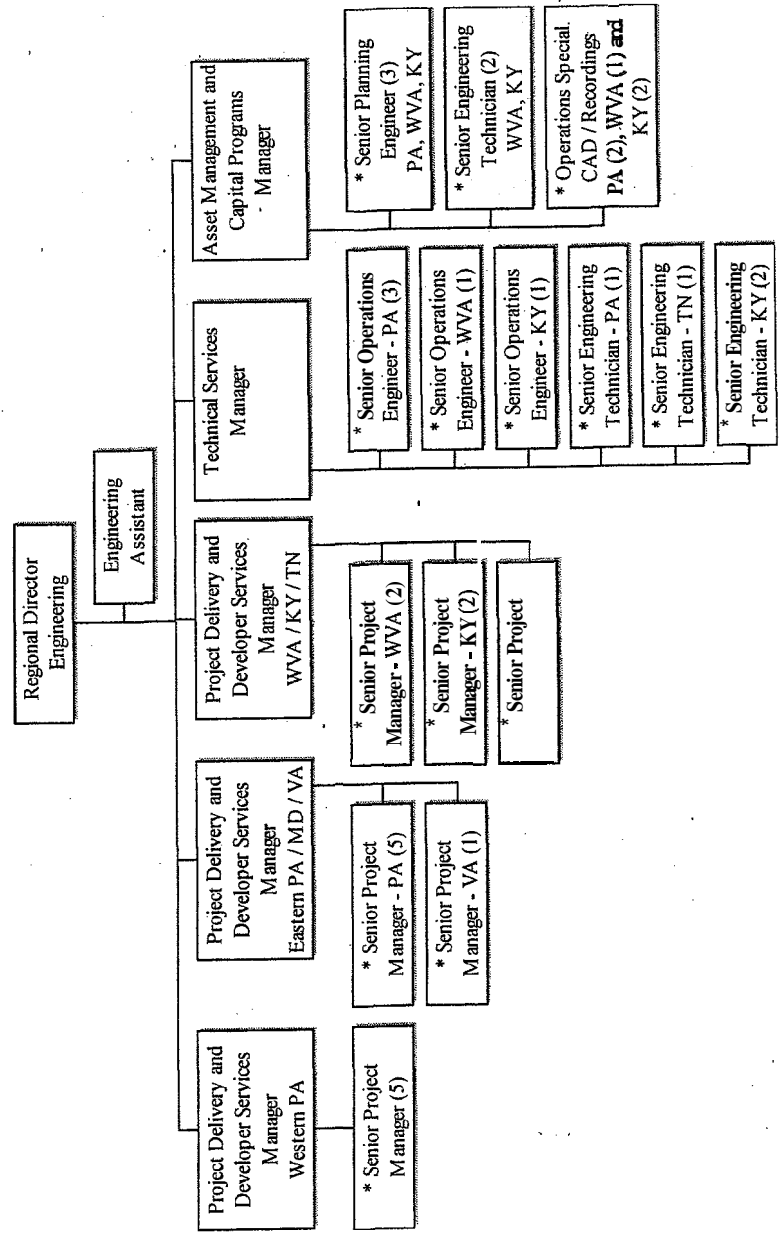
**Southeastern Region**  
 Human Resources



\* Posted on April 28th



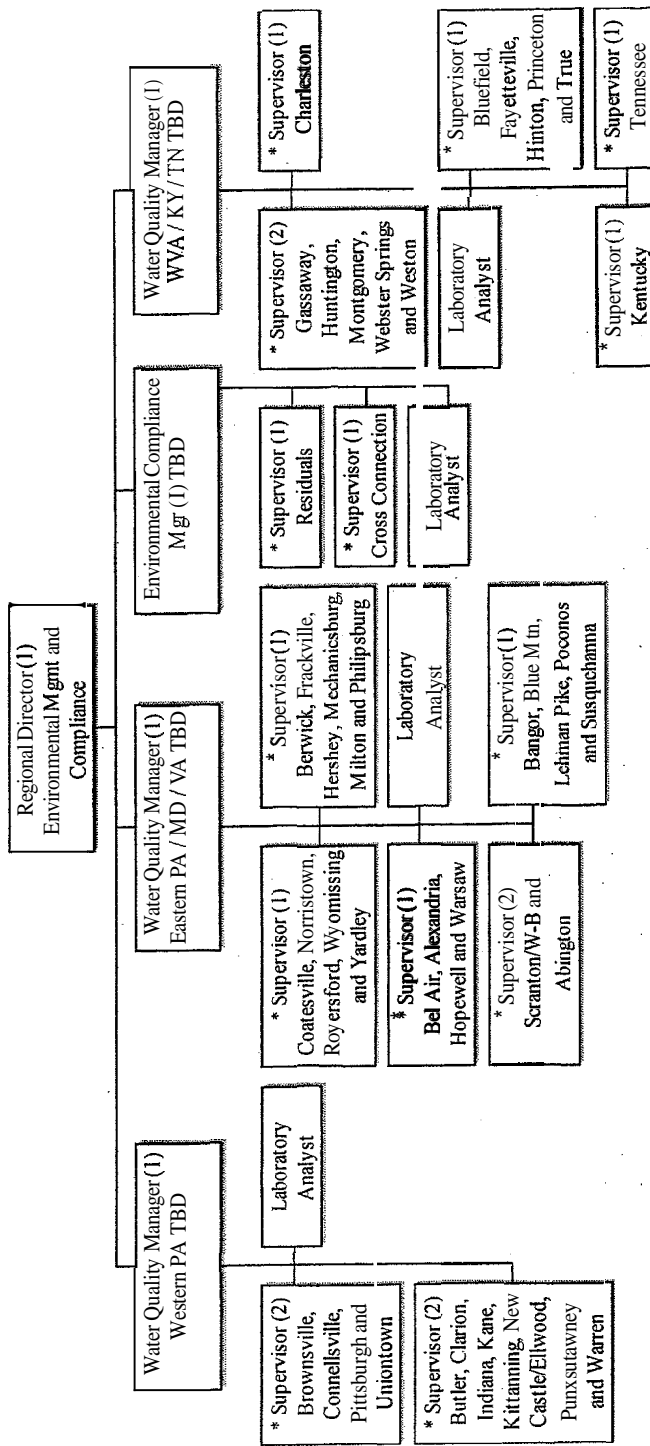
**Southeastern Region**  
Service Delivery  
Engineering



\* Posted on April 28th



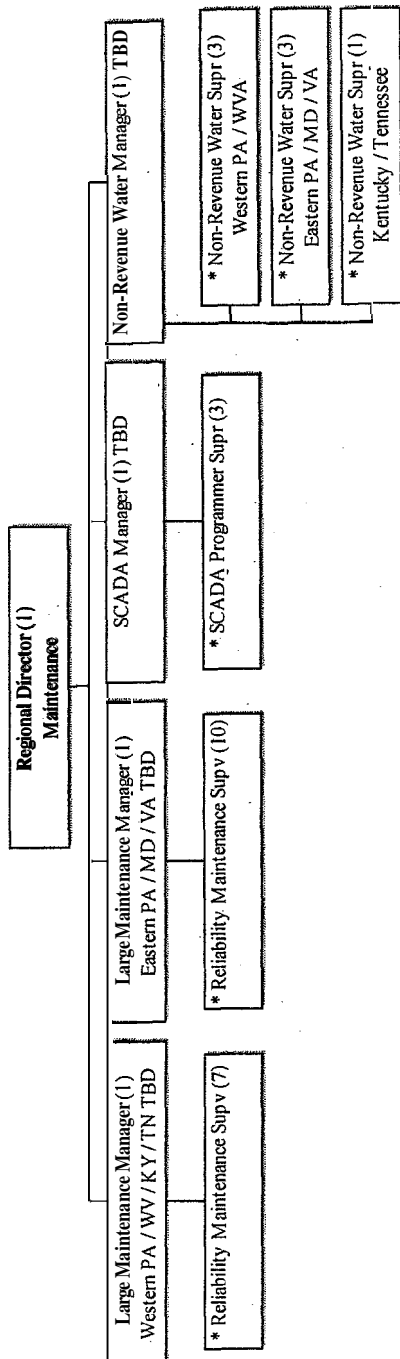
**Southeastern Region**  
Service Delivery  
Environmental Management



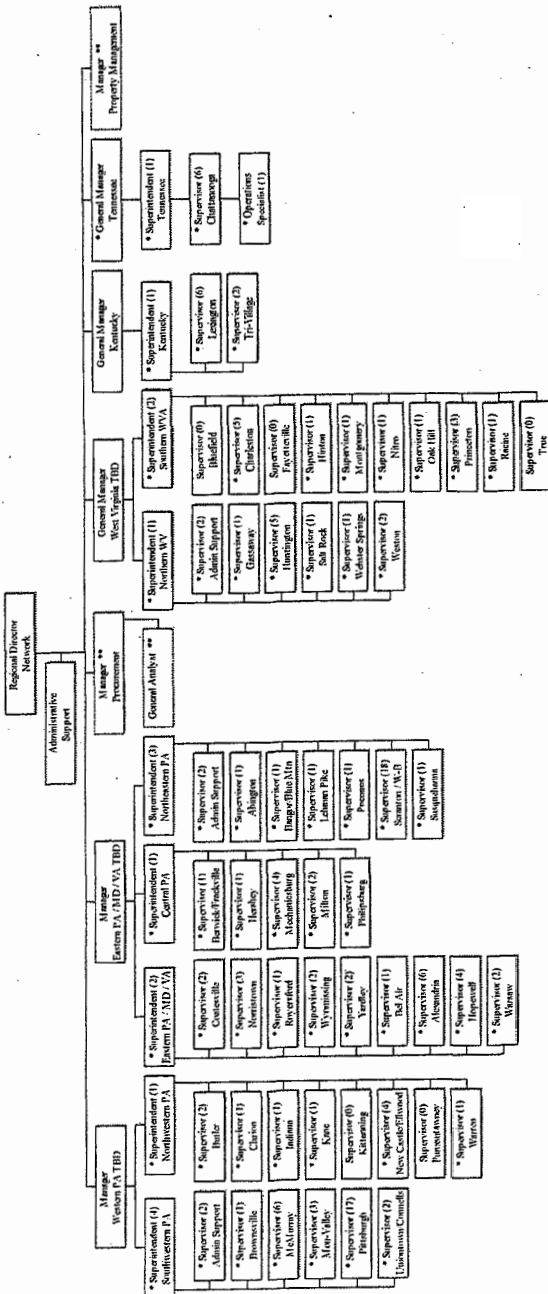
\* Posted on April 28th



**Southeastern Region**  
Service Delivery  
Maintenance



\* Posted on April 28th

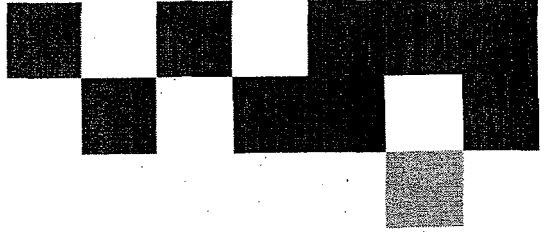
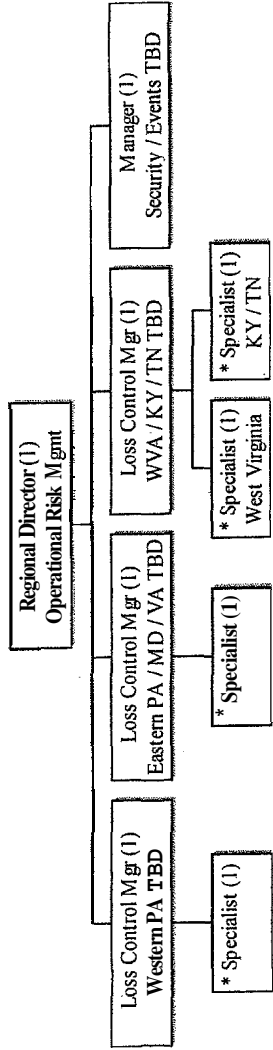


\*\* The (6) count includes the 2 procurement positions funded by the procurement budget and 4 procurement management positions funded by the function's budget.





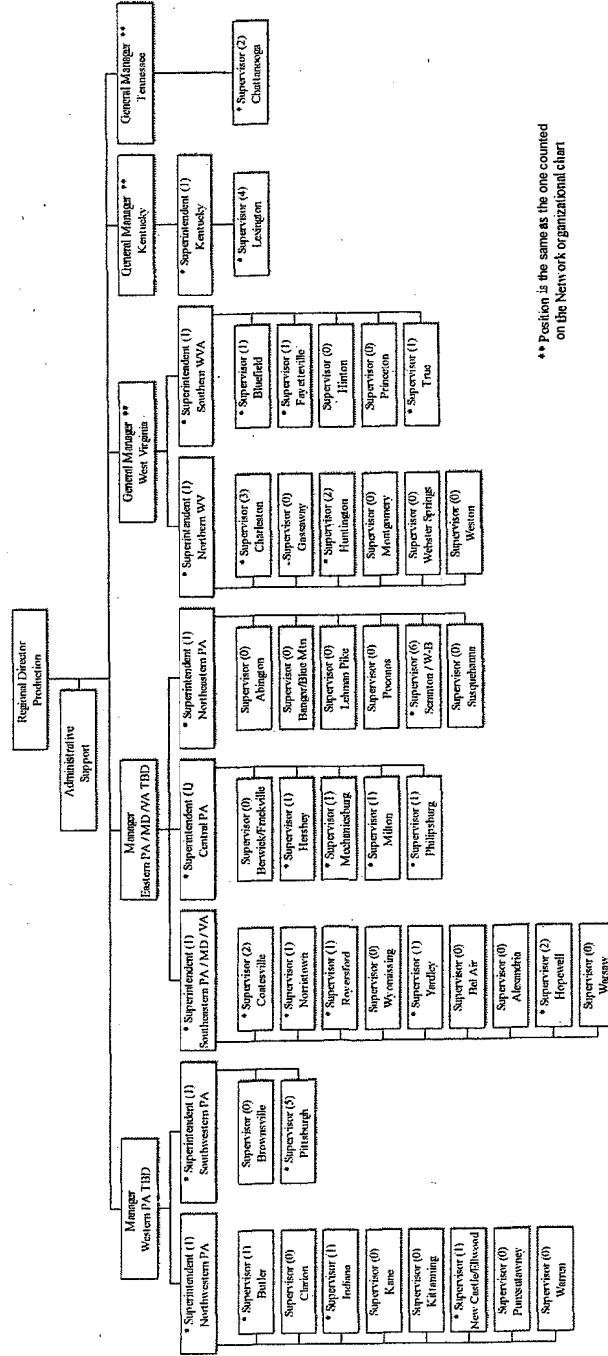
**Southeastern Region**  
Service Delivery  
Operational Risk Management



\* Posted on April 28th



**Southeastern Region**  
 Service Delivery  
 Production



\*\* Position is the same as the one counted on the Network organizational chart



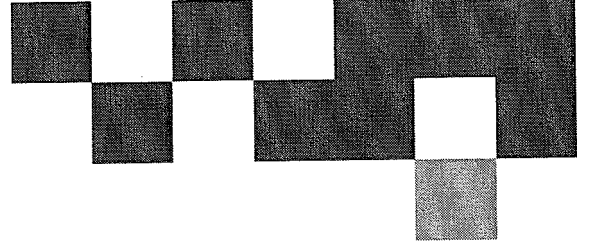
\* Posted on April 28th



# *AW Re-Structuring Selection Process – Phase 4*

**Briefing Pack**

**April 28, 2004**





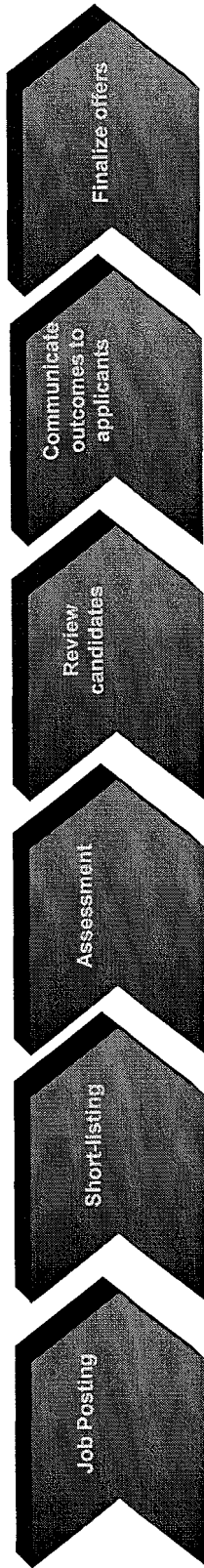
## Phase 4

Phase 4 will include superintendent, supervisory and technical specialist roles

- To deliver Phase 4, American Water has chosen SHL as an alternative assessment partner. SHL are better equipped to deal with this volume, scope and type of positions and roles
- SHL is the consulting firm partnering with American Water to ensure that the Phase 4 assessment process is objective, job-related, fair and well organized
- In partnership with over 5,500 client organizations worldwide, SHL provides innovative, flexible and scientifically robust workforce solutions that deliver tangible improvements in people performance



# Phase 4 - Process Overview



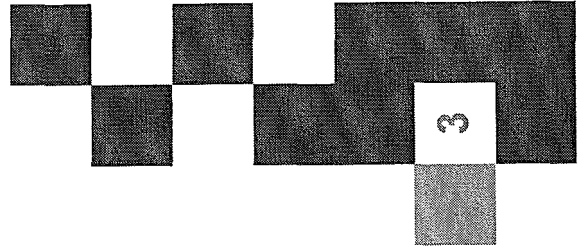
- ◆ Roles will be posted on April 28th and May 5th
- ◆ All roles will be posted on the system-wide posting database
- ◆ Applicants will be asked to attach their resume to their application
- ◆ Roles will be posted for one week
- ◆ Hiring managers will short-list candidates within 5 days of the posting close date
- ◆ Outcomes will then be communicated to individuals by local HR teams
- ◆ Short-listed candidates will have the opportunity to participate in a conference call that will outline the process and will allow time for questions

- ◆ Successful candidates will be scheduled for an assessment (at the nearest assessment location) by the Business Center HR team
- ◆ Candidates will attend an Assessment Day

- ◆ Wash up discussions will be held with hiring managers, HR and external partners in order to make fair, transparent and objective selection decisions

- ◆ Individuals will have a conversation with their line managers/local HR representatives which will outline the results of the process and their options going forward

- ◆ Hiring managers will discuss roles, salary, etc. with candidates and establish transition plans for their new roles





# Job Posting

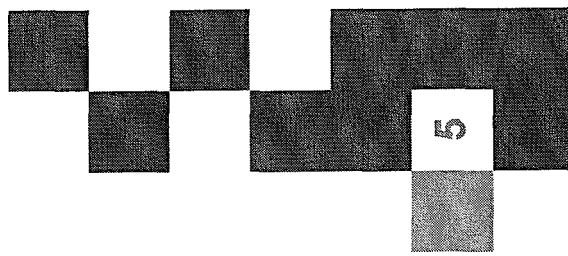
- Jobs will be posted on April 28<sup>th</sup> and May 5<sup>th</sup>, 2004
- Individuals will have one week to submit an application form with their resume
- **All** applicants will need to apply through the system-wide job posting database
- There have been some process improvements made to the system-wide job posting database in order to respond to applicants more efficiently (alternative email address, alternative telephone number, current region etc.). Please contact your local HR representative if you experience any difficulties in successfully completing an application
- All applicants will receive a confirmation that their application has been received
- All applicants must attach their resume and application form to their job-posting application
- If you do not have access to the system-wide job posting database, please contact your local HR team who will make arrangements for you to receive the job postings and arrange an alternative method for you to submit your application





# Assessment Process

- As in previous phases, the selection process will be objective, fair and open
- The selection process has been designed to capture an individual's skills, knowledge and experience against the required behaviors for the role(s) for which he or she has applied
- The specific assessment components will be customized to reflect the requirements of the job. However, all individuals being assessed will complete an interview that focuses on the competencies that are related to the position as well as a job-related work styles questionnaire (OPQ32). Some positions may also require the completion of one or two ability tests
- Candidates selected for assessment will receive specific details of the assessment process for the position(s) for which they have applied





## Assessment Process

- Candidates will be invited to participate in a one day assessment event that will be held between May 26 and June 30, 2004
- The assessments will be held in hotels in three locations – Plymouth Meeting (PA), St Louis (MO) and Phoenix (AZ)
- The competency based interviews will be conducted in panels consisting of three trained interviewers including:
  - An American Water Line Manager
  - An American Water HR representative
  - A consultant from SHL

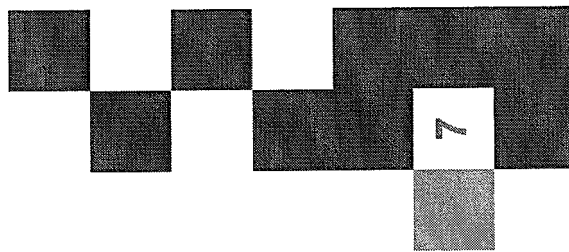
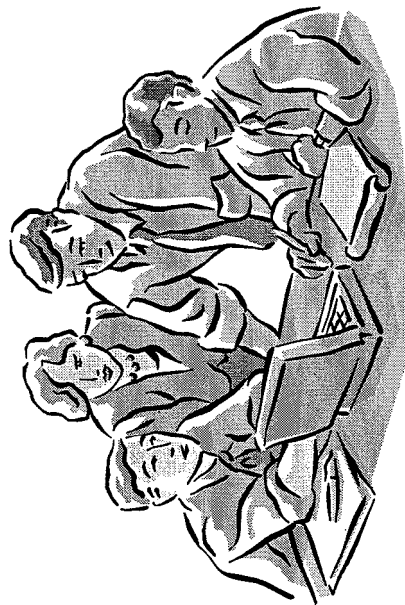






## Candidate Selection

- SHL will build “candidate portfolios” for each candidate applying for a specific position based upon the information gathered from the panel interviews, OPQ and SHL ability tests as appropriate
- These portfolios will then be used as the basis for the ‘wash-up’ discussions which will be held between July 5 and 23
- The round table discussions will involve hiring managers, HR and SHL in order to make fair, transparent and objective selection decisions and get the right people in the right roles

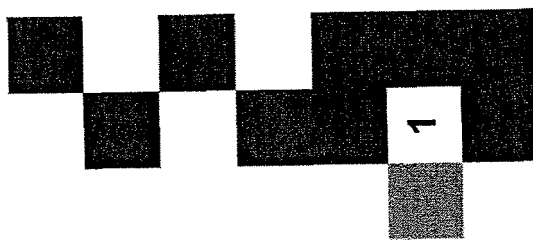




# Structure Charts

Please find enclosed the following structure charts associated with the April 28<sup>th</sup>, Phase 4 posting:

1. Shared Financial Services
2. Products and Services – Military Proposals Group
3. Business Center - Operational Investment and Performance
4. Northeastern Region - Operational Risk Management
5. Northeastern Region Engineering & Center of Excellence
6. Business Center - Finance

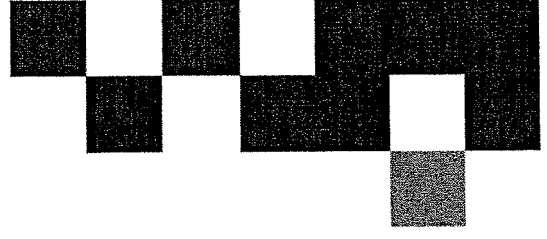




# 1. Shared Financial Services

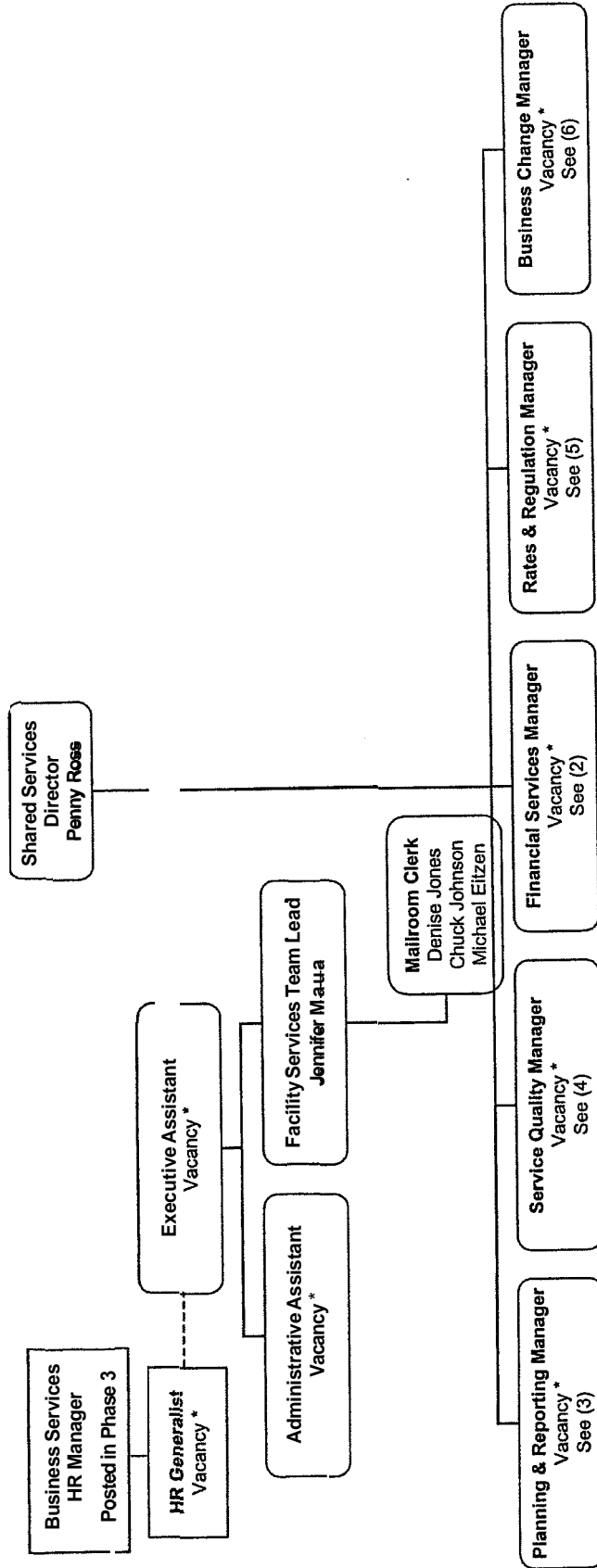
## Shared Services Center

April 28<sup>th</sup> 2004



# CUSTOMER & SHARED BUSINESS SERVICES

## Shared Services Center (I)



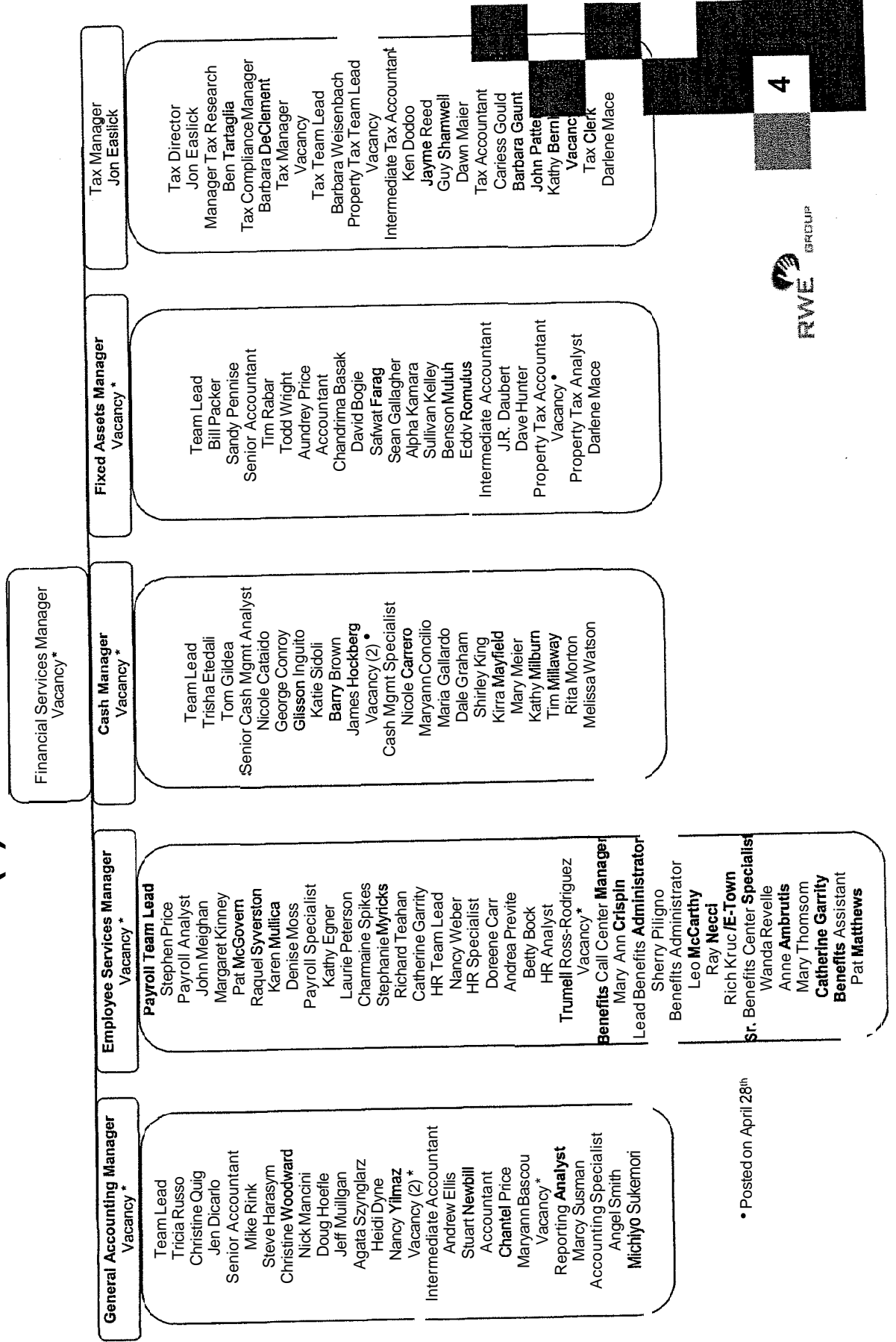
\* Posted on April 28<sup>th</sup>





# CUSTOMER & SHARED BUSINESS SERVICES

## Shared Services Center (2)

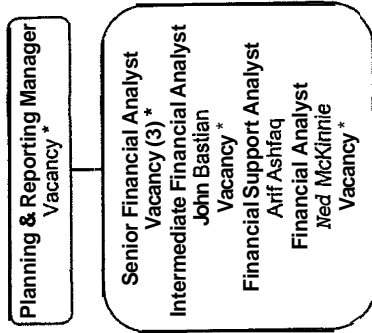


\* Posted on April 28th



# CUSTOMER & SHARED BUSINESS SERVICES American Water

## Shared Services Center (3)



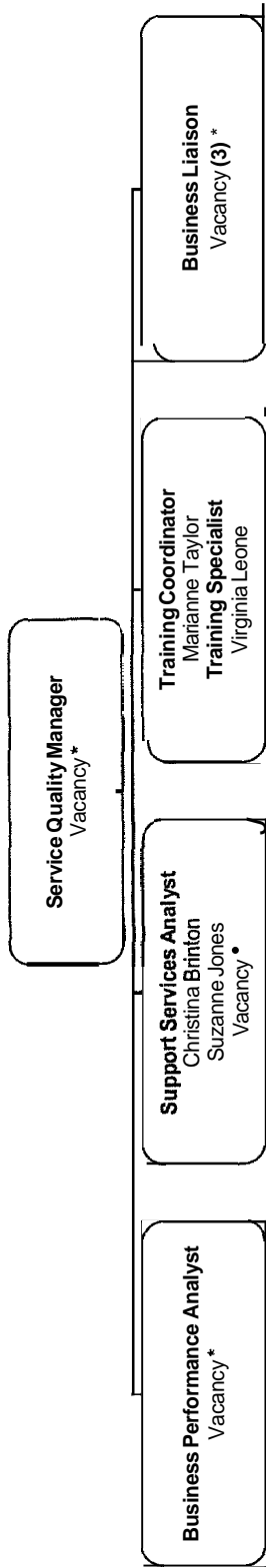
\* Posted on April 28<sup>th</sup>





# CUSTOMER & SHARED BUSINESS SERVICES

## Shared Services Center (4)



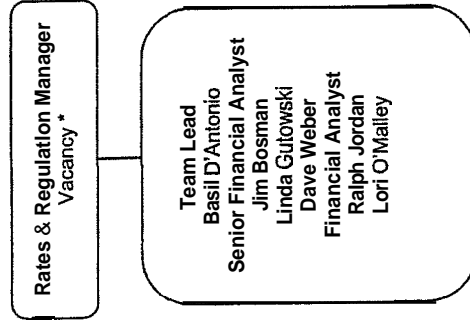
• Posted on April 28<sup>th</sup>



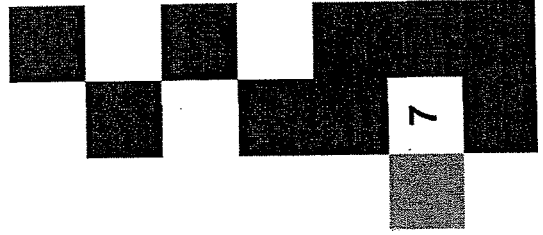


# CUSTOMER & SHARED BUSINESS SERVICES

## Shared Services Center (5)



\* Posted on April 28<sup>th</sup>



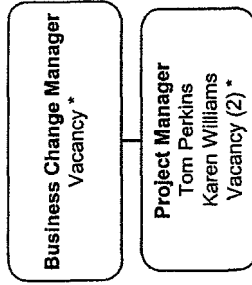


# CUSTOMER & SHARED BUSINESS SERVICES

Shared Services Center (6)



American  
Water



\* Posted on April 28<sup>th</sup>





## Memo

To All American Water Employees From Jeremy Pelczer, President & CEO  
Date May 5, 2004 Phone 856.346.8302  
subject Organization Restructuring – Phase 4, Wave 2 Fax 856.346.8300

Dear Colleague,

Today I want to inform you of the remaining details of Phase 4 of our restructuring. As I indicated in my April 28<sup>th</sup> communication, we are posting positions in our Customer Service Center, Laboratory Services, and our Information Technology Services department, and certain positions in the Southeast Region.

Accompanying this communication are:

- Structure charts for the Customer and Shared Business Service Areas, Business Center HR, and Southeast Region Environmental Management & Compliance
- Detailed Q&As
- Customer & Shared Business Services Slide Pack

Some of you might wonder why we are proposing changes at the Customer Service Center (CSC) and in our Information Technology Services group when we have completed organizational changes in both areas in the recent past. The answer involves business needs and timing. Those earlier changes occurred before we embarked on our overall organizational redesign. As we have progressed on our journey of preparing American Water for the future, we developed a clear picture of how our support services functions need to be structured to support and enable our operating business units, while achieving an even higher level of customer satisfaction.

To be candid, the CSC at Alton still attracts many questions when we meet with employees. I greatly value the dedication and commitment of all of our employees, and this equally applies to those at the CSC. Only by working closely together toward a common vision and purpose can we best serve our customers. Organization changes are never the entire solution to every issue we face. Rather, they provide an important part of a wider aspiration for operational excellence and passion for customer service.

From my very first restructuring communication on November 19<sup>th</sup>, when we announced the Executive Management Team, Vision and Strategy, I have committed that we would deliver this process as quickly as possible, without sacrificing the quality of the end result. As I look back at what has been accomplished since November, I believe we have achieved that ambitious goal. Of course, there have been challenges along the way. However, the collective teams that have been committed to delivering the result have done a magnificent job. That includes our Human Resources team, the Regional and AWS leadership teams, the functional leads at the Business Center, and our consultant PDI, and I thank them for their contribution.

Jeremy Pelczer  
President & CEO  
American Water  
1025 Laurel Oak Rd,  
Voorhees, NJ 08043  
USA  
T + 856 346 8302  
F + 856 346 8300  
I www.amwater.com



# Memo



Page 2

I also want to recognize each of you, our employees, who have been so patient during this unsettled period. For many of you the process will have seemed too long and drawn out. I regret any added anxiety that has caused. The approach we have taken to designing the new structure has not been perfect. No restructuring ever is. However, at each phase, I have become increasingly satisfied that the time, effort, thought and consideration that has gone into the organization design will ensure operational reliability and integrity for our customers. That is one of my highest priorities. Today's announcement focuses on several key areas that reinforce operational integrity: laboratories, environment/water quality and ITS. Please use [letsachieveit.com](http://letsachieveit.com) if you feel our changes impact such integrity. This is a vital area to get right, and I am determined to do just that.

I am also aware the speed with which we have progressed this process has had an unintended result. That is, the postings of positions have progressed more rapidly than our ability to interview and appoint individuals to roles. We accepted that trade-off in order to inform you of the organization structures and position responsibilities at the earliest time possible. The speed has meant several levels of supervisory employees have not been able to answer questions from their subordinates. That is not a shortcoming of those supervisors. Rather, it is a symptom of the change process we are going through. To the supervisors in the business, I thank you for your support in this circumstance. To those looking to our supervisors, please recognize their best endeavors.

We are making progress with the selection process for Phase 3 positions, and anticipate making a series of appointments over the next days and weeks. As those appointments are made, we will communicate structure charts so that you can see which positions have been filled and by whom. At the same time, we will ask those newly appointed managers and supervisors to communicate with their direct reports and the employees they supervise to keep you as well informed of our ongoing process as possible.

I am receiving some great correspondence from employees, such as one yesterday, which said "we are absolutely committed to pursuing a vision of success... we are a leader in our field... with many opportunities... we are excited and determined". We face hard decisions, but these are necessary to deliver a sustainable, improving future.

Thank you for your continued patience and cooperation.

Yours sincerely,

Jeremy Pelczer



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## **Procurement**

### **1) Q: What is the purpose of the Procurement Department?**

**A:** The Procurement Department was established to provide tangible business benefits and improve the way American Water conducts business and serves its customers. The Procurement Department will achieve these goals by negotiating contracts with high quality, low cost product and service providers, and will ultimately aid us in our endeavor to provide water to our customers at the lowest possible cost.

Prior to the establishing the Procurement Department, the Business Units and Regions had varying approaches to procurement. The Procurement Department allows American Water to take advantage of the best practices within the organization and to create synergies across the company. Specifically, the Procurement Department is establishing new purchasing practices and enhancing capabilities. American Water will benefit greatly from having highly skilled and experienced procurement staff, as well as IT systems and tools that are tailored to the needs of the procurement function. All of AW will experience better service from our suppliers, as our supplier relationships will be based on compliance with American Water's performance measures.

### **2) Q: What are the Regional Procurement Managers responsible for?**

**A:** The Regional Procurement Manager is responsible for delivering financial savings and procurement process improvements for a specific set of regional categories and states. This includes directing and performing the activities for sourcing, vendor and agreement management, and management of the communication of internal customers' business requirements for assigned categories.

### **3) Q: Why is American Water creating a new Procurement department when the Regions are shrinking headcount?**

**A:** Centralized procurement presents a cost-saving opportunity for American Water. In order to take advantage of the efficiencies associated with centralized purchasing, we must transfer these functions from regional locations and create a new department with a staff capable of executing this new business model. The cost savings to be obtained are anticipated to more than offset the cost of creating the department.

### **4) Q: What is the role of Operations in Procurement?**

**A:** The Procurement Department has an "Operations" function that will be responsible for building and improving procurement capability through processes, systems, training, and business analyses – including invoice auditing and budget planning – needed to realize and sustain benefits over time. This group will be responsible for Procurement's performance management and knowledge management. "Operations" also includes the Procurement to Pay group who control all purchasing master data within JDEdwards, process JDEdwards purchase orders, and manage the Purchasing Card Program.

### **5) What is intended with respect to inventory and inventory management systems?**

**A:** The process of identifying opportunities for improvement in inventory and inventory management is ongoing.



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Information Technology Services

- 6) Q: Where will the positions Database Administrator (Oracle) and Network Server Specialist (AIX) be located?

A: These positions will reside in the Data Center in Hershey, Pennsylvania.

- 7) Is the relocation assistance available for the ITS positions that are posted?

A: Yes. Successful candidates will be offered relocation assistance in line with our existing policy.

- 8) Q: Is this the final structure of the ITS department? If not, when will it end?

A: The latest posting addresses the immediate ITS department needs to support the current business requirements. Further refinements and postings will take place after the outcome of the 8-week Standardized Technology Enabled Process (STEP) engagement. At that time, we will reevaluate our needs based on what the business requires over the next 3 years.

- 9) Q: Why is ITS posting these positions now?

A: Some of the positions are a direct result of feedback that ITS received from the business. Additionally, several of the positions are open positions that have not been previously filled.

- 10) Q: Can I post for one of the open positions if I'm already interviewing as part of the **E'Town** integration process?

A) Yes.

- 11) Q: What is the distinction between the project manager position posted in the Business Change STEP and those posted within ITS?

A: The position descriptions are nearly identical. However, the ITS project Management positions will be responsible for the management of all IT-related projects, to which they may be assigned, being a STEP project or otherwise. The STEP project management positions will be assigned exclusively to projects that are a part of the STEP project portfolio. In addition, the ITS project managers will tend to have more of an IT background and skill set, whereas, the STEP project managers will have more of a business background.

- 12) Q: Why are the STEP Design Authority positions that were posted on April 28 being listed on the ITS structure charts today? Is it necessary to reapply?

A: The reporting line for those positions have been revised to reflect direct line reporting into ITS, rather than to Business Change. If you applied to the April 28 posting of those positions, it is not necessary to reapply. Your application will be included as part of the new posting.

May 5, 2004  
American Water  
Restructuring Communication – Q & A



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13) Q There is currently a Quality Assurance team reporting to the Customer Care group. Are we creating a Quality Assurance team for the Financial Support group as well?

A: We outlined during the last ITS restructuring process, one Quality Assurance team Reporting to the Applications Development area. Staying with the concept of having one Quality Assurance team, we are now posting QA positions for additional QA support. These positions will help focus on the Financial Projects, but will be utilized to help with all QA processes.

14) Q How many Quality Assurance positions will be posted and to whom will they report?

A: There will be three (3) QA Analyst/Testers. The positions will report to the ITS Quality Assurance Manager.

15) Q Where will the posted Quality Assurance positions be located?

A: The posted QA positions will be located with the ITS Team at the AW Corporate Center in Voorhees, NJ.

16) Q Where will the Client Relations positions be physically located?

A: Each region will be assessed by Client Relations Management Team to determine where the support resources need to be allocated.

17) Q Why were some job titles changed?

A: Job titles were changed to more accurately reflect the responsibilities of those positions.

18) Q Why were all the ITS Client Relations Regional Manager and Business Partner (now Team Leads) positions reposted? If I applied to the earlier posting do I need to reapply?

A: There were changes made to the roles, responsibilities and titles of those positions and as such they required reposting. Because there were changes made to the roles, it is necessary that you reapply.

19) Q Why is there a need for new positions?

A: The last restructuring of the ITS department was completed before the organization design for American Water began. The newly established positions (e.g. Business Report Analysts, etc.) have been created to ensure the department is able to fully support the new American Water organization address those needs and provide more value to the business.

20) How can we provide better value to the business in the Regions when we have reduced the amount of Support Specialists and Team Leads in some of those Regions?

A: The re-alignment and re-allocation of positions is designed to provide the correct amount of resources for the business' varying support needs. While some locations may

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lose all or some of their on-site ITS staff, those resources will be re-allocated so that the overall business benefits.. Action will be taken to remotely support previously staffed ITS sites.

**21) Why were some of the positions posted in the specific Regions? Are these open to other applicants elsewhere in the organization?**

**A:** We are in the process of developing core competencies in Client Relations. For example, the Central Region's core competency is Desktop Services. For that reason we have made the decision to have both Desktop Administrator positions located in the Central Region. As always, if you feel you are qualified you can apply for the position.

**22) Q: The total number of applications developers positions (i.e. Developer, Sr. Developer and Lead Developer positions) was reduced. Why?**

**A:** While most areas of the business are streamlining to reflect the new regional structure and eliminating redundant positions to drive costs out of the Business, the ITS Department will be adding positions with this restructuring to reflect the increased size of the Company as well as the growing business demands and workload. Most notable of these increased demands are the increased size of the Americas Region, enhanced requirements for IT support and the advent of the STEP program. That point notwithstanding, the ITS Department - like the rest of the Business - was asked to review each area to ensure that it is structured correctly, and has the right complement of roles and capabilities to meet business needs. As a result of this review, it was determined that the number of Development staff could be reduced modestly, while other roles are increased. Some factors that were taken into account include; (1) the ability to effectively and quickly ramp up development staff (via contractors and/or consultants) to meet fluctuating staff requirements necessary to satisfy project needs, and (2) the efficiencies of scale and synergism that will be realized creating a common Applications Development and Support resource pool.

**23) Q: What is the role of the QA Applications Control Specialist?**

**A:** As the Company's applications systems portfolio (both production systems and those Under development) becomes more complex, so, too, does the application change control process. For example, a company-wide change (or enhancement) in ECIS may require migration in a specific order to over100 test, training, and production system environments. In addition, there is the ongoing need to "refresh" or repopulate the test and training environments with new copies or production data to ensure the soundness of our testing and training process. While our legacy ECIS application is an example of the complexity of these processes, the need to tightly control and execute the application change control processes is by no means limited to that application. The JDE and SAP application, Web Development as well as the applications architecture that will be delivered with the STEP program will all carry varied and involved application change control requirements. As a result, we determined the need to create a role within ITS that will have the primary responsibility for executing and managing this process.

**24) Q: Will the two current Applications/Development & Support teams be merged and why?**

**A:** Yes. We are merging the two groups into one and the title of the new team will be Core Business Systems. Some of the ideas and reasons behind merging include: gaining team synergies, to help support the STEP projects, to concentrate on better



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standards and procedures for the development life cycle, added focus on team work, Quality Assurance and testing, and better customer service.

25) Q: Why are there two Manager of Application Architecture positions?

A: The first reason is due to the current workload and future workload of the group to support our legacy and new technologies. The second reason is to have a major focus and a pooling of resources to help support all of our anticipated acquisitions and O&M's. This will help grow our Business Partner relationships with the Business Development teams.

26) Q: I belong to the Elizabethtown IT department. What do these postings mean to me?

A) If you do not post for or are not selected for an open AW ITS position your line manager will meet with you to determine a separation date.

27) Q: Why are the ITS Project Managers reporting to the Project Management Office?

A: We are centralizing all ITS Project Managers into one group with one pool of project management professionals. This will provide more efficient resource allocation to the entire portfolio of projects. Also, it ensures that a single project management methodology will govern all ITS projects.

28) Q: Where will the Project Manager positions be located?

A: The positions could be located in either Voorhees or Hershey. Travel between buildings and to regional offices will be required.

### **Laboratory Services**

29) Q: Why was Belleville Laboratory chosen as the Center of Excellence?

A) The Belleville Laboratory maintains certification in all states that American Water currently operates in and is certified through the National Laboratory Accreditation Program (NELAP). The facility is equipped and certified to analyze for all primary and most secondary drinking water contaminants. Adequate sample capacity can be created with minimal changes to the existing laboratory operation.

30) Due to the consolidation of laboratories, samples will have to be sent to a different laboratory than they are now. When will this change take place?

A: Every effort will be made to ensure that the transition occurs as smoothly as possible. We anticipate that the transition will begin by May 31 and will be completed by July 31, 2004.

31) Q: Changing the processes and protocols for water quality testing can be risky and could jeopardize compliance with EPA requirements. How can we be sure that all of our testing needs will be addressed at the desired quality and in the necessary timeframe?

A: Bob Collington and his management team will be working with the Regions to establish service level agreements for Laboratory Services. This process will define the





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requirements for each Region and ensure that people, processes and technology are in place to address each requirement.

**32) Q: By having only one laboratory facility, we will essentially be putting all of our water quality testing "eggs in one basket". What if something happens to the Belleville Lab?**

**A:** Each Region will have an agreement with a local or nationally accredited laboratory that will be ready to accept samples in the event that the Belleville Lab could not analyze samples. This will ensure that under extreme conditions, no lapse in water quality testing will occur.

**33) Q: How will Belleville Lab ensure that none of the samples processed there will have to be resampled?**

**A:** Due to the specific QC requirements to generate compliant data, laboratories cannot guarantee that resamples will never be required, especially for short holding time samples. The Belleville Lab has increased redundancy with respect to instrumentation and personnel and will continue to process samples as quickly as possible to provide adequate time to reanalyze samples if necessary.

**34) As American Water continues to focus growth efforts in the wastewater industry, the need for wastewater testing will increase. Has a decision been made regarding the creation of a wastewater-testing laboratory?**

**A:** We continue to gather information to determine the feasibility of creating a wastewater laboratory to provide testing for current and future operations. This process will include determining the most appropriate location for this facility, as well as the necessary laboratory design and capabilities. Preliminary information suggests that the current Elizabethtown laboratory may provide the best fit for a future center of excellence for wastewater testing across the company.

#### **Customer Service Center (CSC)**

**35) Q: Why is the CSC restructuring now?**

**A:** Two important priorities are driving this restructuring process – the requirement for a second customer service center and our desire to create a structure that is typical of top quartile customer centers. A second customer service center helps us achieve several important goals.

- Accommodating the growth of the business since the Alton Center was opened.
- Strengthening our disaster recovery capabilities for emergency situations.
- Providing more flexible scheduling and call handling processes to accommodate training and other operational needs.
- Creating a more comfortable and manageable work environment.

The structural changes are designed to improve our customer service function and adapt our organization to a two-center strategy. The Alton CSC team will lead the second center development; and we do not anticipate any layoffs as a result of the second center. We believe that normal attrition and a small number of employee relocations to the second site will bring us closer to our center's design capacity – about 450 employees.



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This further restructuring will also allow us to respond to feedback from employees at the CSC and in our operating utilities about the need to continue to improve the quality of our service provision to both customers and the operating regions. The structure we are announcing today will allow improved coaching and the quality of management supervision and support teams at the CSC. It will also help us enhance the consistency in application of policies, procedures and performance tools, which are all important to delivering improved service.

**36) Q: How can I apply for one of the posted positions?**

**A:** All positions will be posted on System-wide staffing. As each job opening is posted, position requirements and responsibilities will be included. Any employee who meets those requirements and is interested in and capable of fulfilling the responsibilities is encouraged to apply for consideration. These positions are only posted for five days, so candidates must apply promptly.

**37) Q: How will I know if I've been successful in my application?**

**A)** The hiring manager will review all resumes and assess qualifications and experience relevant to the posted positions. If they believe that your skills and experience match the position requirements, they will let you know that you have been short-listed for an assessment.

**38) Q: What happens once I've been short-listed?**

**A)** Short-listed candidates will be scheduled to attend an assessment process. Typically, the assessments are one-day sessions. After the assessments are complete, a panel composed of an assessment consultant; HR representative and appropriate management team member will review the assessment results and inform the selected candidates.

**39) Q: When will the final decisions be made?**

**A:** We plan to complete the restructure and announce all the new positions by the end of July.

**40) Q: What happens if I am not successful?**

**A:** If you are unsuccessful in your application, you should discuss your options with your supervisor or an HR team member.

We do not anticipate layoffs as a result of this restructuring; however we are reducing the number of group supervisor positions by one and the number of team supervisor positions will be reduced from **32** to **24**.

If you apply for a team supervisor position, your options will depend upon your current role. For example, employees who are currently in positions (such as Customer Service Representative) that are not changing can continue in to those positions if they are not successful in applying for a team supervisor position. If a current team supervisor is not selected for the new team supervisor role, he/she may apply for any other open positions for which he/she is qualified; or choose to leave the company. Severance packages will be offered to employees who no longer have a position with the company. Jeremy Pelczer's March 24<sup>th</sup> email provides more detailed descriptions of the severance package.



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**41) Q: What are the salaries for the new positions?**

**A:** Our goal is to have the salary information available by the time offers are made to employees. Salaries will be based on comparable positions in the marketplace. We are using an independent consulting firm with solid experience in this area to assist us.

**42) Q: Will the changes in the team supervisor positions mean that we will reconfigure the regional pod structure?**

**A:** There will probably be some changes in the pods as we expand the numbers of people reporting to the team supervisors. However, we plan to keep our regional structure intact to support the regions we serve.

**43) Q: Will we be outsourcing any functions?**

**A:** There is no outsourcing planned as part of this restructuring. Our collections outsourcing is underway and will continue.

**44) Q: Will the number of Call Handling CSR's here in Alton drop from 301 to 270 by the end of the year?**

**A:** We are *estimating* that the number of Call Handling CSRs will decline to *about* 270 by year's end, but this is not an absolute number. We do not intend to lay off any Call Handling CSR's. Based on our current and historic attrition levels, we will likely reach this level, based on attrition; by the time the second center is in place. We also expect that some employees may want to relocate. We encourage qualified employees to apply for jobs at the second center.

**45) Q: Why are we planning for a second Customer Service Center? Did we consider just expanding our operation here?**

**A:** When we opened this center in 2001, we planned for 350 employees with a maximum of 430. Today we have more than 500 people working at the CSC. This is not sustainable.

We are also committed to integrating our Elizabethtown customer calls into the Customer Service Center. We believe that we can better maintain the quality of our work environment by limiting the size of a single center.

A second center in a different location also provides backup capability to serve our customers in the event of a major technical problem or a natural disaster. This kind of disaster recovery planning is essential to providing service continuity for our customers.

All of these considerations guided our analysis of alternatives and ultimately led us to the decision that we needed a second center. The relocation of the Elizabethtown customer call volume will form the foundation of a second site, not necessarily located in New Jersey. We're going through a carefully structured process to identify the best location and will inform everyone as soon as the selection is made.

**46) Q: How will the second Customer Service Center work? Will it be regionalized?**

**A:** We want to operate as one Customer Service Center, two locations. The second center will mirror our operation in that both centers will handle the same functions. Our regionalized pattern has helped CSC employees build a more detailed understanding of



our customer needs in a particular region. We will duplicate that successful structure at the second center.

Two centers will allow us to realize some real efficiency by being flexible. For example:

- Two centers will support disaster recovery efforts in an emergency.
- Scheduling and call handling will be simplified. For example, a dramatic increase in calls from one area could be shifted to available CSRs in the second center to improve our customer service.
- Group training opportunities will be enhanced by our ability to shift calls to a second site.

The second center will operate as a satellite to us, and probably will not be a 24/7 operation, because our call volume is so much lower during nontraditional hours.

**46) Q: What is the timetable for the second center?**

**A:** We're working under a very aggressive schedule, dictated by our commitment to consolidate the Elizabethtown call volume by year's end. We have narrowed our search to five possible locations. Our plan is to:

- Announce the chosen site location as soon as the selection is made.
- Develop a transition plan that allows us to gradually shift work to the new center.
- Transfer Elizabethtown operations into the new site by October.
- Begin integration of the two centers by the end of 2004.

This timetable presumes that we will be able to find an existing building that fits our needs. Although this is a challenging schedule, the team that launched the Alton CSC was able to get it up and running in just three months. We believe we can repeat that success this year too. One of the key factors in making that happen is keeping everyone informed and involved as we move forward.

**47) Q: Will people from the Alton Center have the opportunity to move to the new center?**

**A:** Yes. The success of this transition depends upon the support of the Alton team. The ability to share knowledge, provide mentoring and help us improve and implement new technologies will be vital components of a successful transition. There will be opportunities for people who would like to relocate for short-term as well as permanent assignments. The second center positions will not be posted until later this year.

**Shared Financial Service Center**

**48) Q: The organization chart for Shared Services shows a significant increase in the number of posts. Are all of these going to be based at the SSC in Mount Laurel, and if so, how will they all fit in?**

**A:** It is intended that, eventually, everyone who works for Shared Services will be based at Mount Laurel but in order to accommodate them all, this will require considerable remodeling of the building and additional parking. Our Property Group will be looking at the options and will develop a plan for how we can achieve this. In the meantime, we will make the best use of the space we have available, which means that some of the new posts or teams joining the SSC, as part of this reorganization will be able to move into the Center fairly quickly but others may have to wait. We have not made a final decision yet on whom this will affect.

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**49) Q: In an earlier set of Q&As, you announced that the Benefits Service Center would be transferring to Shared Services. Is this still the plan and when will this take place?**

**A:** Yes, the Benefits Service Center will be transferring to Shared Services as part of the Employee Services team. The date for this to happen is dependant upon the appointment of the Employee Services Manager, which is being posted as part of the April 28<sup>th</sup> postings. We are looking at the accommodation needs of the Benefits team and will develop a plan with our Property Group on how we can accommodate the team at Mount Laurel that meets data security requirements. No date has been set yet for this move to happen.

**50) Q: What has happened to the SAP Transition team in Shared Services that is responsible for managing the E'Town financial services?**

**A:** When the support for E'Town was moved to Shared Services, we set up a separate team with specific SAP experience to manage that transition and provide dedicated services to E'Town. Now that this transition is substantially complete, we have decided to integrate this team with the appropriate functional teams within Shared Services (General Accounting, Cash Management, Fixed Assets and Payroll) and Procurement (Accounts Payable). E'Town will continue to have the dedicated support and this will be the responsibility of the functional team Managers. This move will create more opportunity for SAP knowledge transfer within the teams, in preparation for the STEP project, and will provide a wider pool of expertise to support E'Town.

**51) Q: Why is Shared Services getting bigger when the rest of the organization has to reduce the number of jobs?**

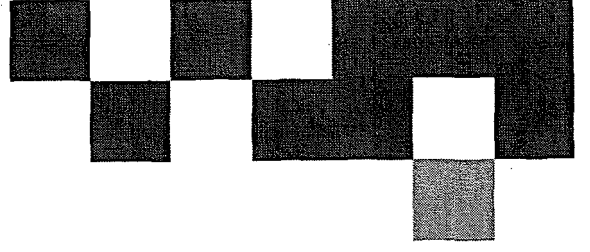
**A:** Part of the reorganization has included the creation of a new 'slimmed down' Corporate Center that focuses on governance, strategy and policy. This has led to the need to transfer out those activities that are more operational or transactional in nature. Some of those activities are transferring to Shared Services, particularly those from Corporate Finance and HR, and the teams have worked together to identify these activities and the resources needed to perform them. Moving new activities into Shared Services has enabled us to create synergies with our existing responsibilities and we have also examined our current activities to identify further efficiency savings. So, although new jobs are being created in Shared Services, this is due to a substantial increase in workload and these additions are more than offset by the decrease in staff in the corporate HR and Finance areas.



# Structure Charts

1. Southeastern Region – Environmental Management and Compliance
2. Human Resources – Business Center
3. Customer and Shared Business Services

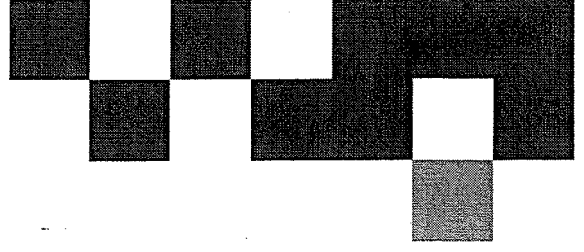
**May 5<sup>th</sup>, 2004**





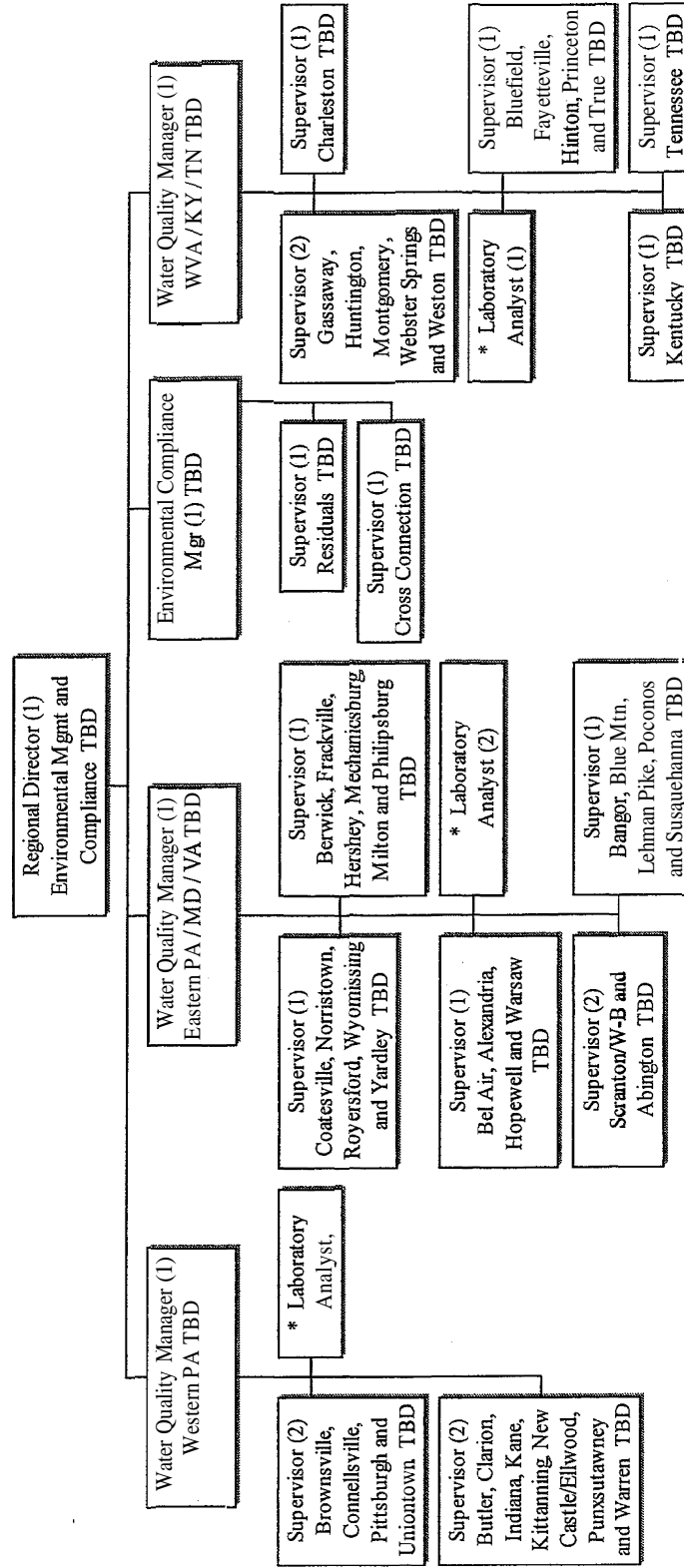
# 1. Southeastern Region

## Environmental Management and Compliance





**Southeastern Region**  
 Service Delivery  
 Environmental Management & Compliance



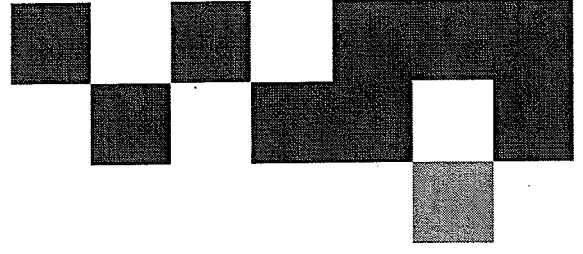
\* Posted on May 5th







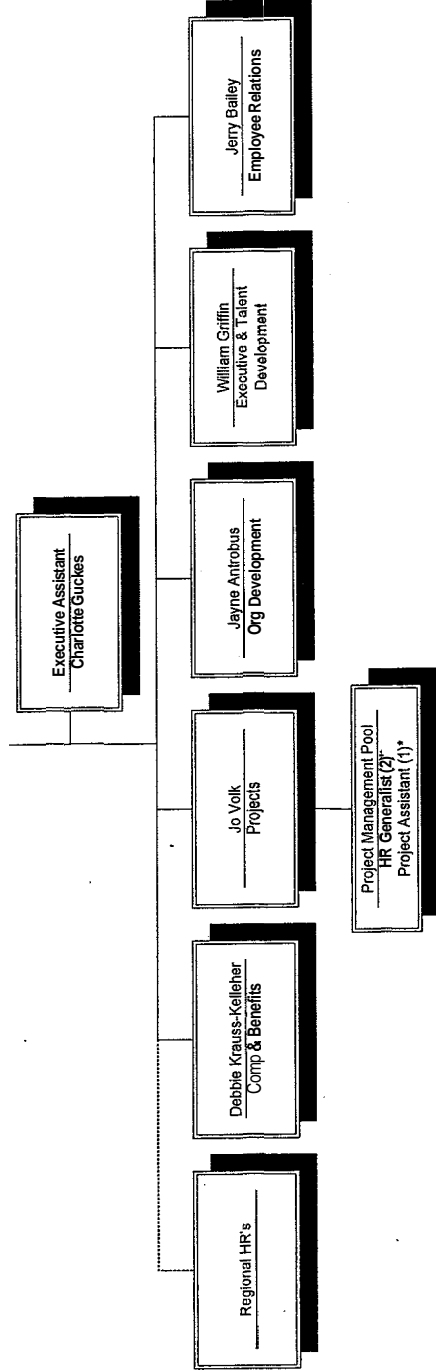
# 2. Human Resources – Business Center



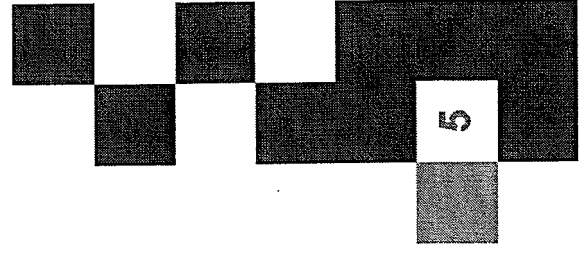
# Business Center – Human Resources



Matthew Huckin

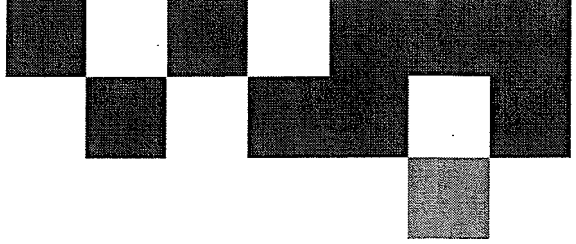


\*Posted on May 5<sup>th</sup>

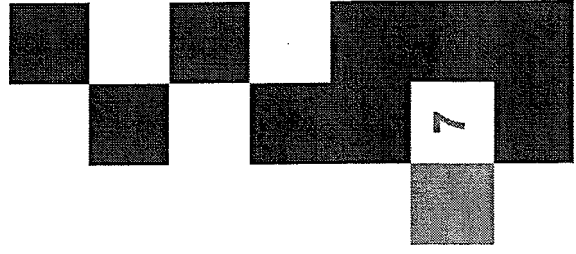
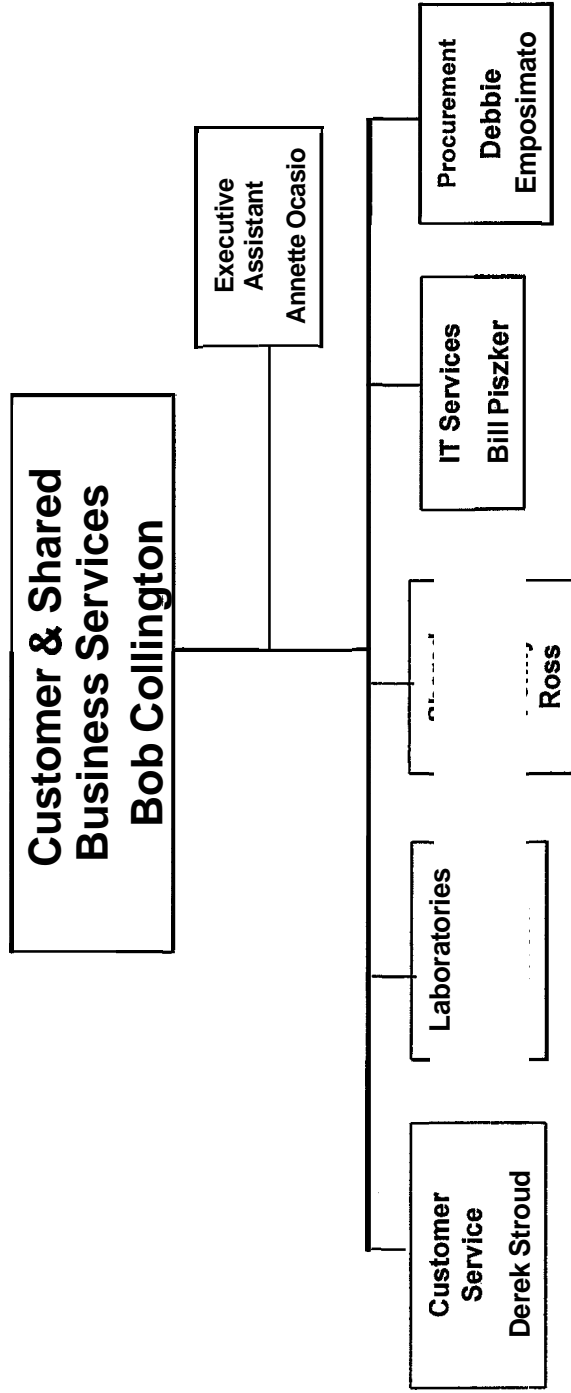


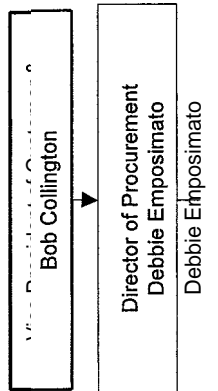


# 3. Customer and Shared Business Services

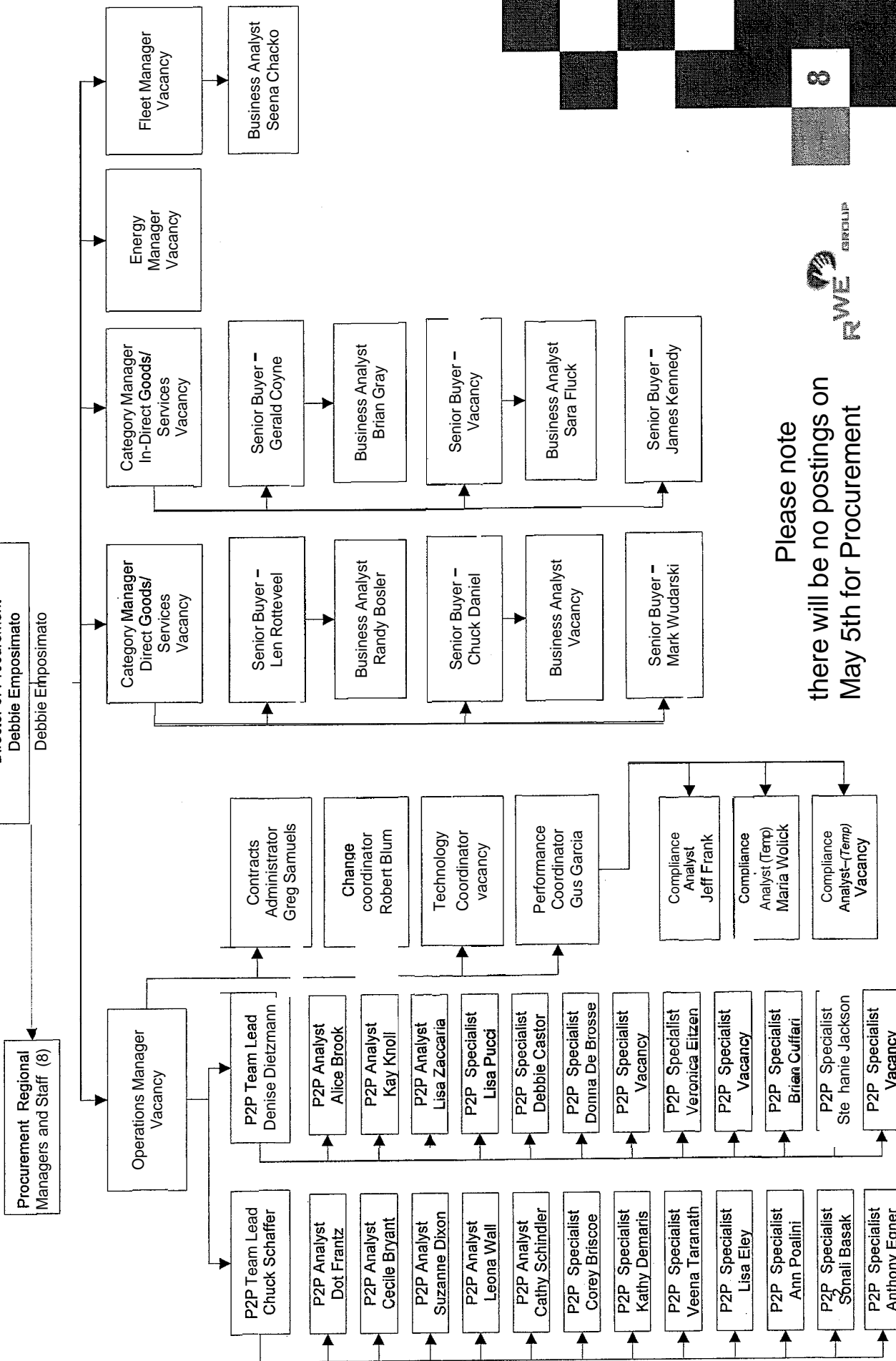


# Customer & Shared Business Services





**Procurement**

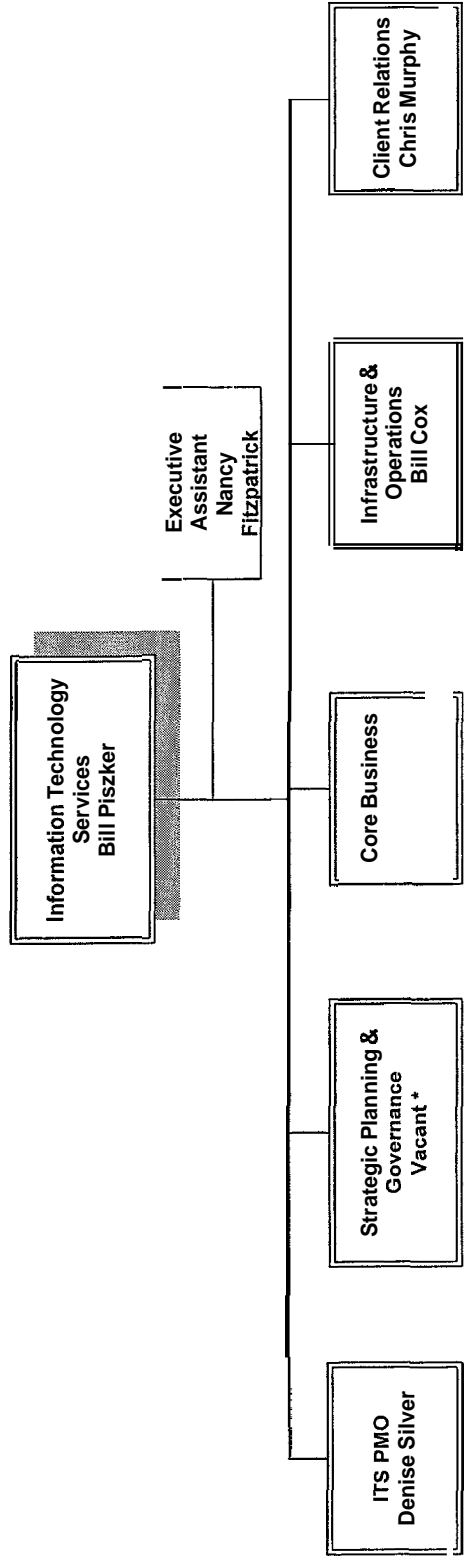


Please note  
there will be no postings on  
May 5th for Procurement

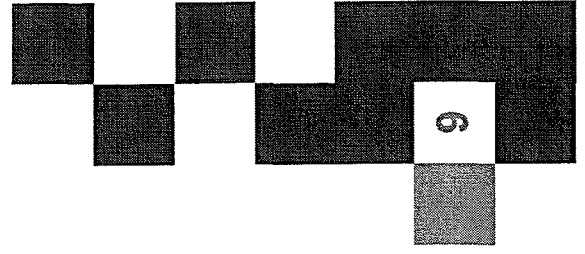




# IS - Administration

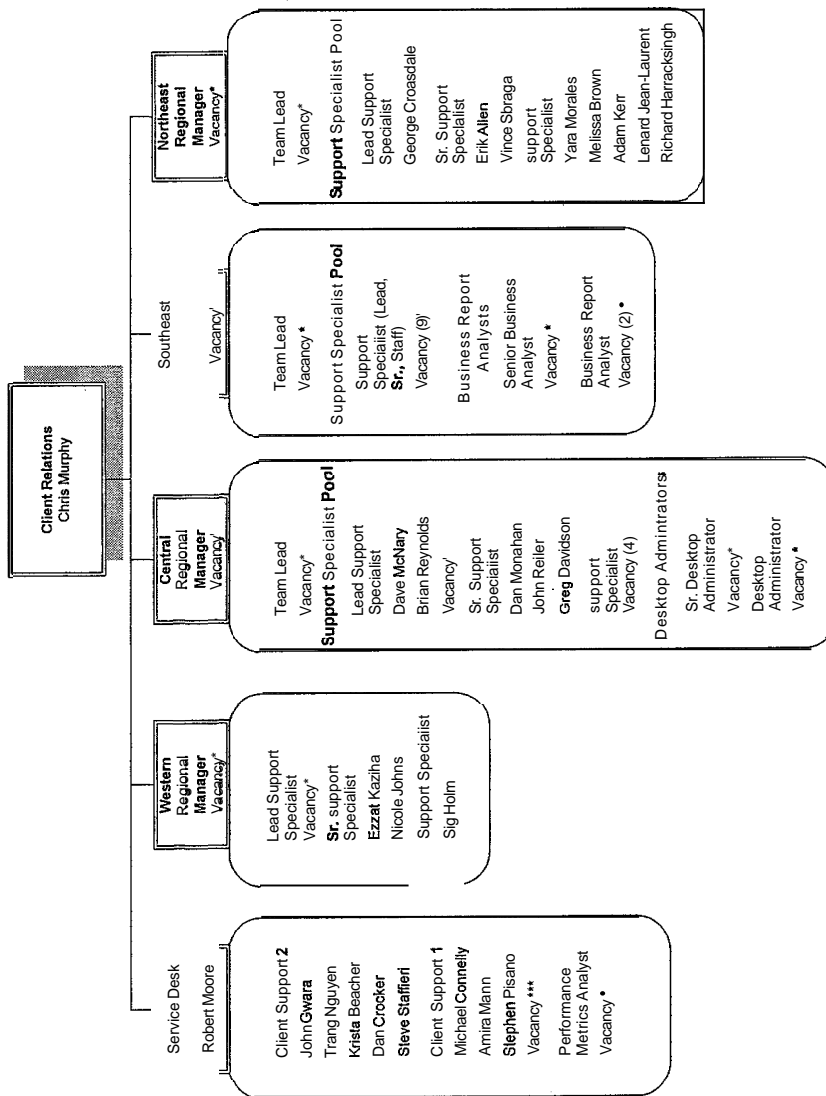


\* Posted on May 5th





# ITS - Client Relations

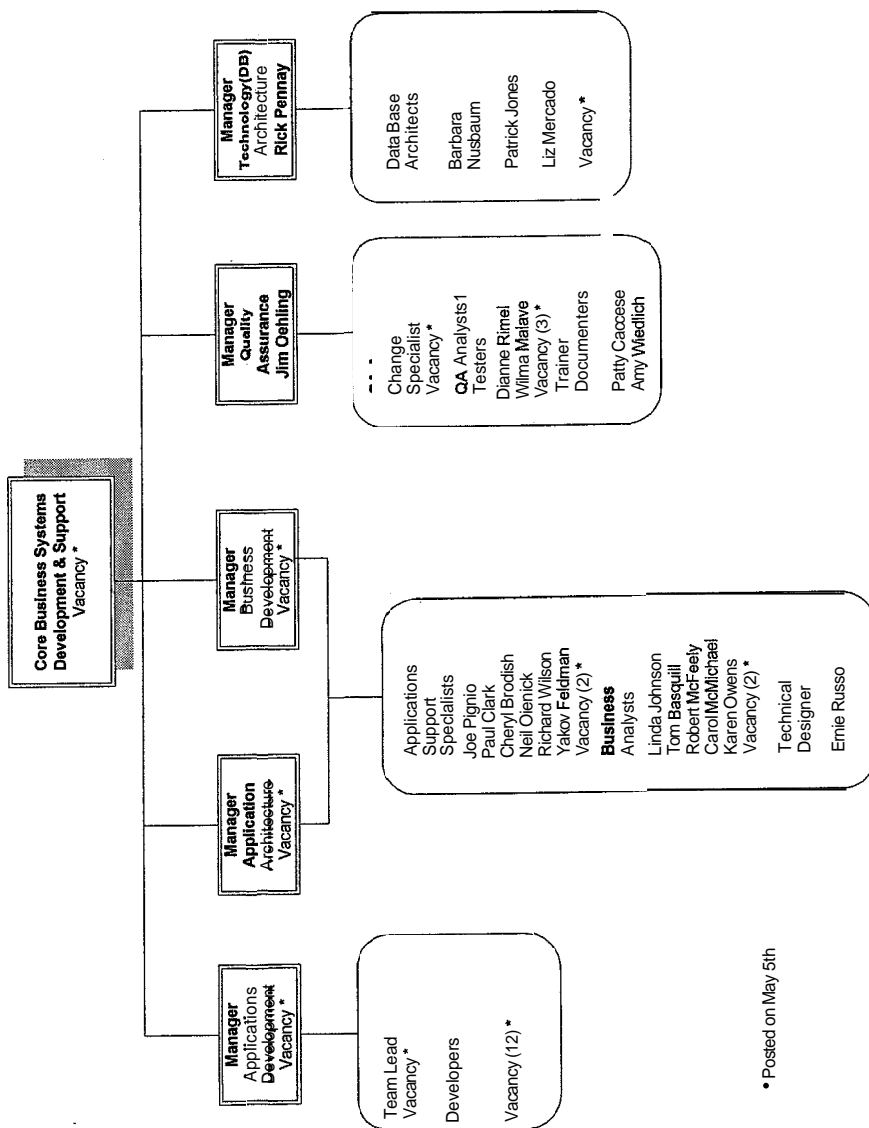


Posted on May 5th  
\*\* Previously posted





# ITS - Core Business Systems Development & Support



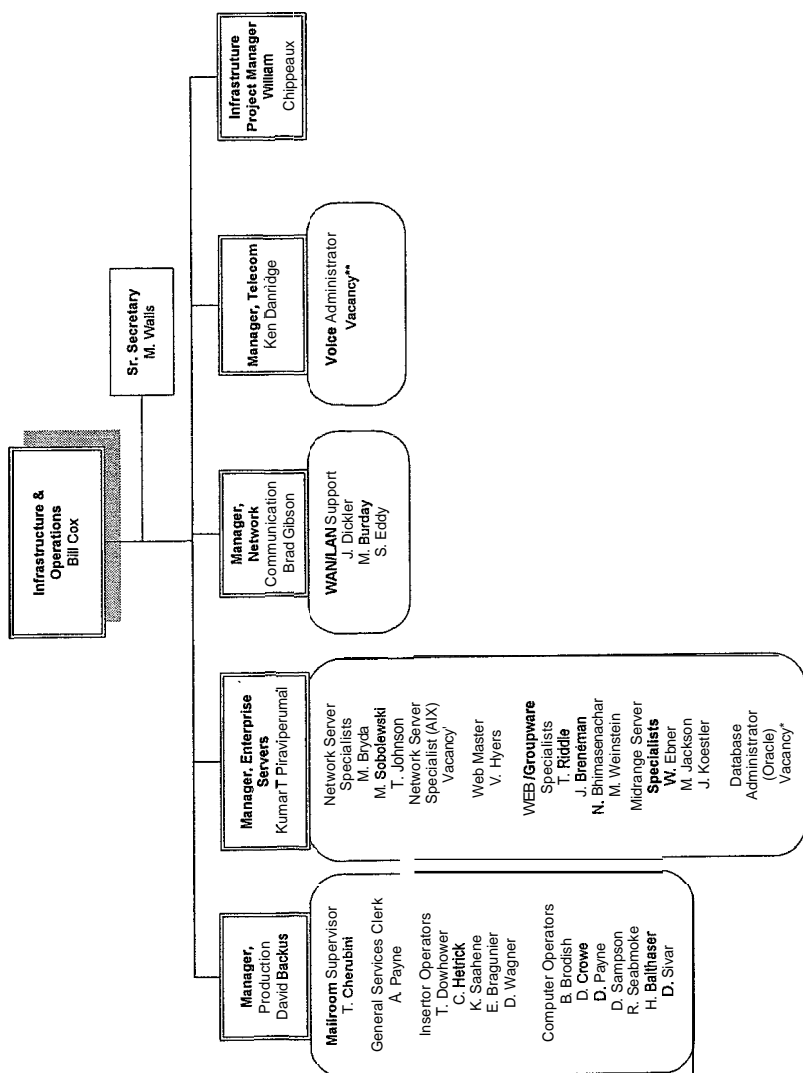
• Posted on May 5th







# ITS - Infrastructure & Operations

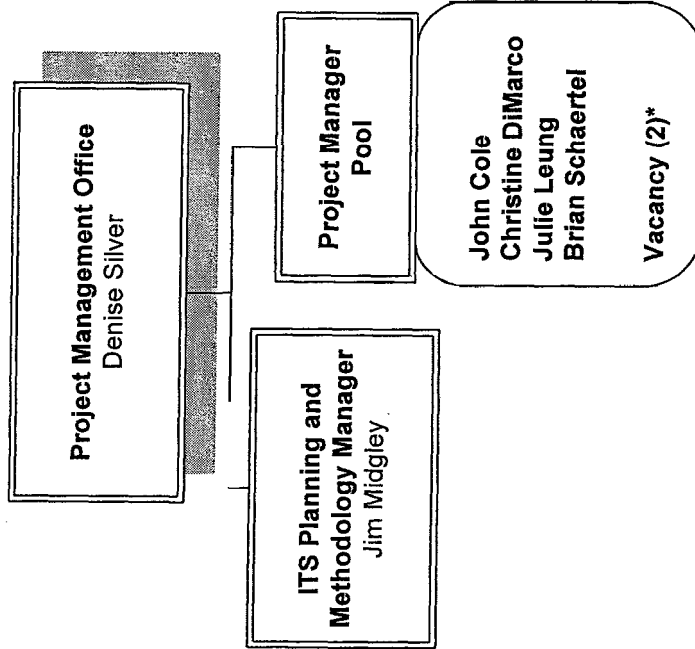


\* Posted on May, 5th  
\*\* Previously Posted





# ITS - Project Management



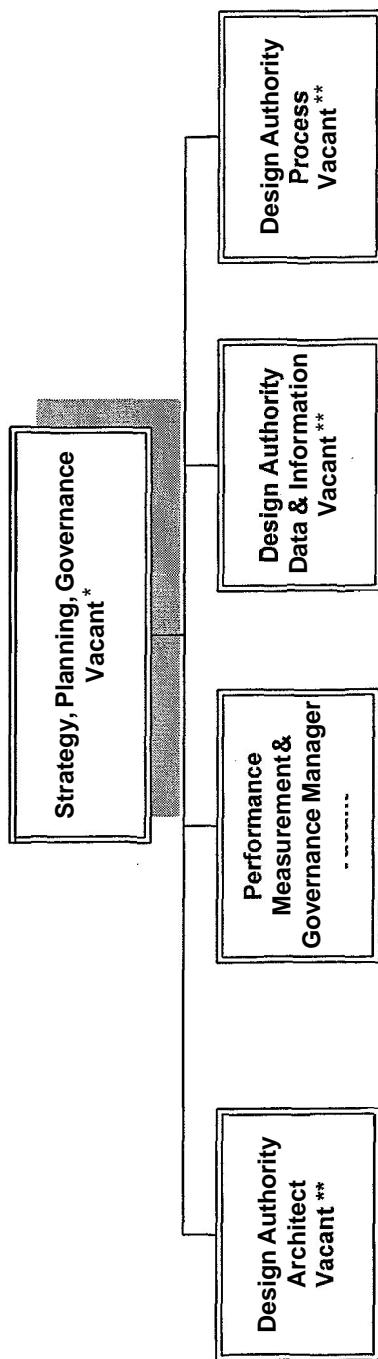
\* Posted on May 5th



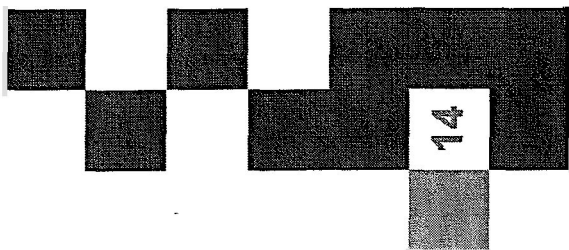
13



# TS – Strategy, Planning & Governance

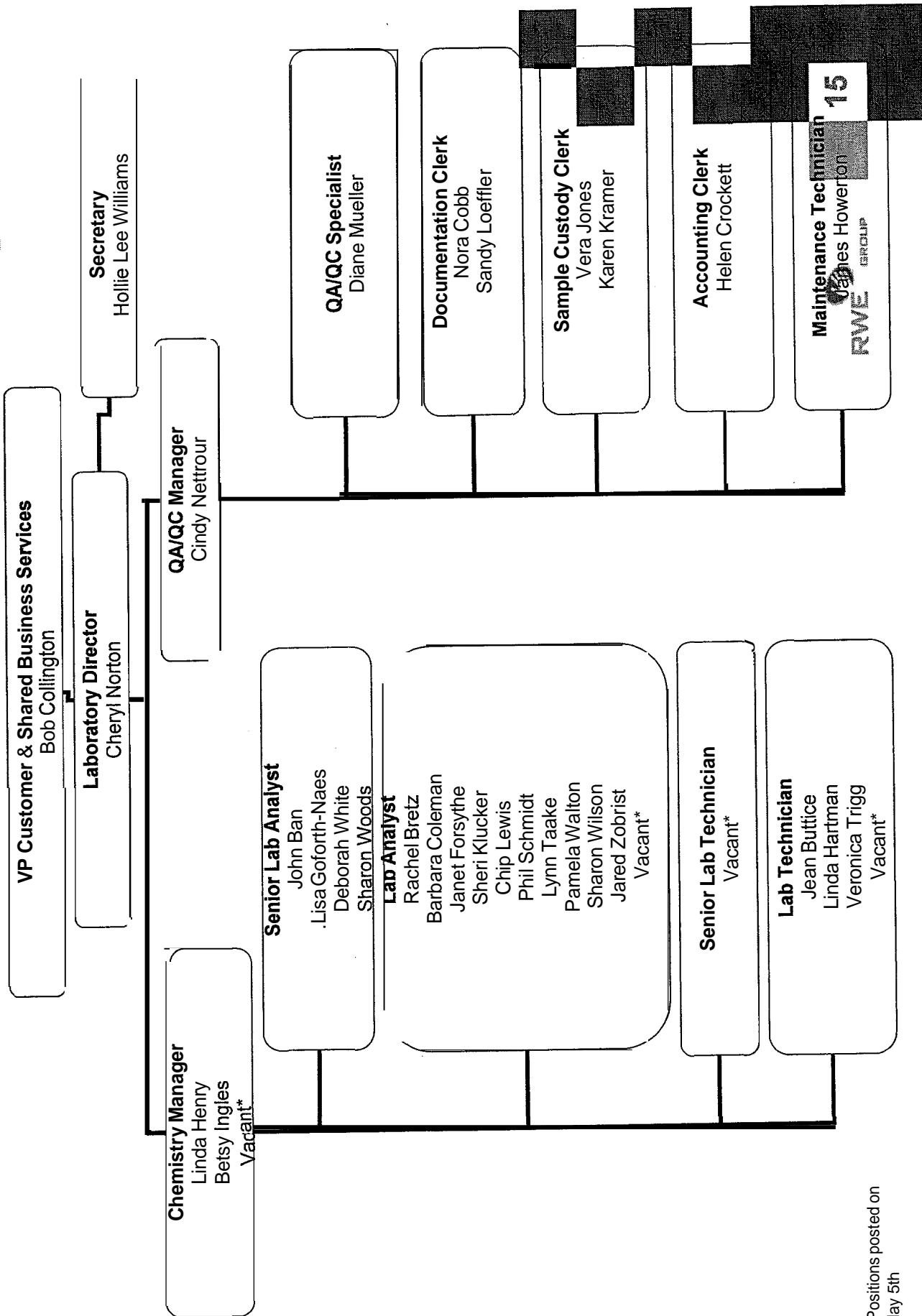


\* Posted on May 5th  
\*\* Previously posted on April 28th & reposted on May 5th





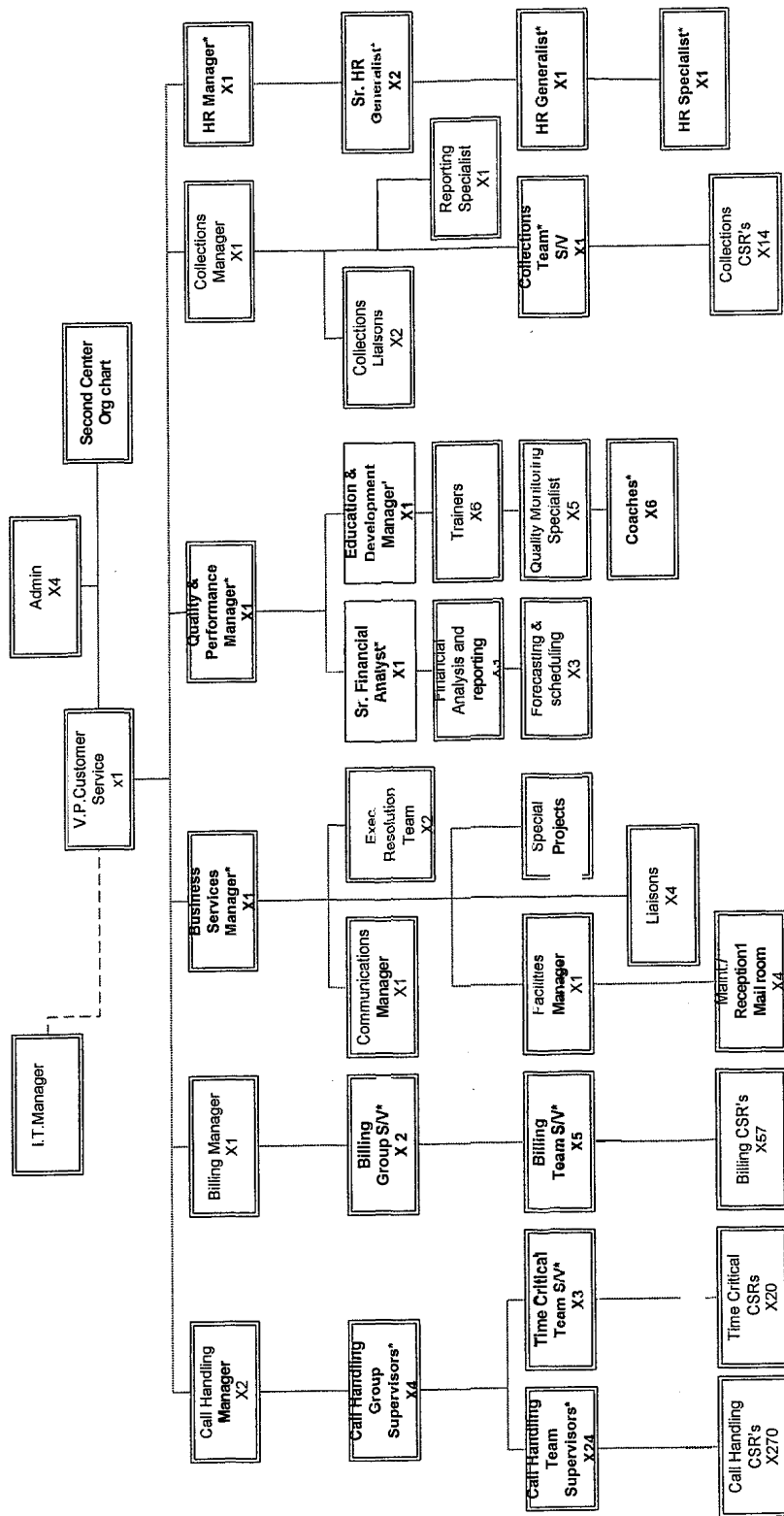
# Belleville Laboratory



\*Positions posted on  
May 5th



# Customer Service – Alton Call Center



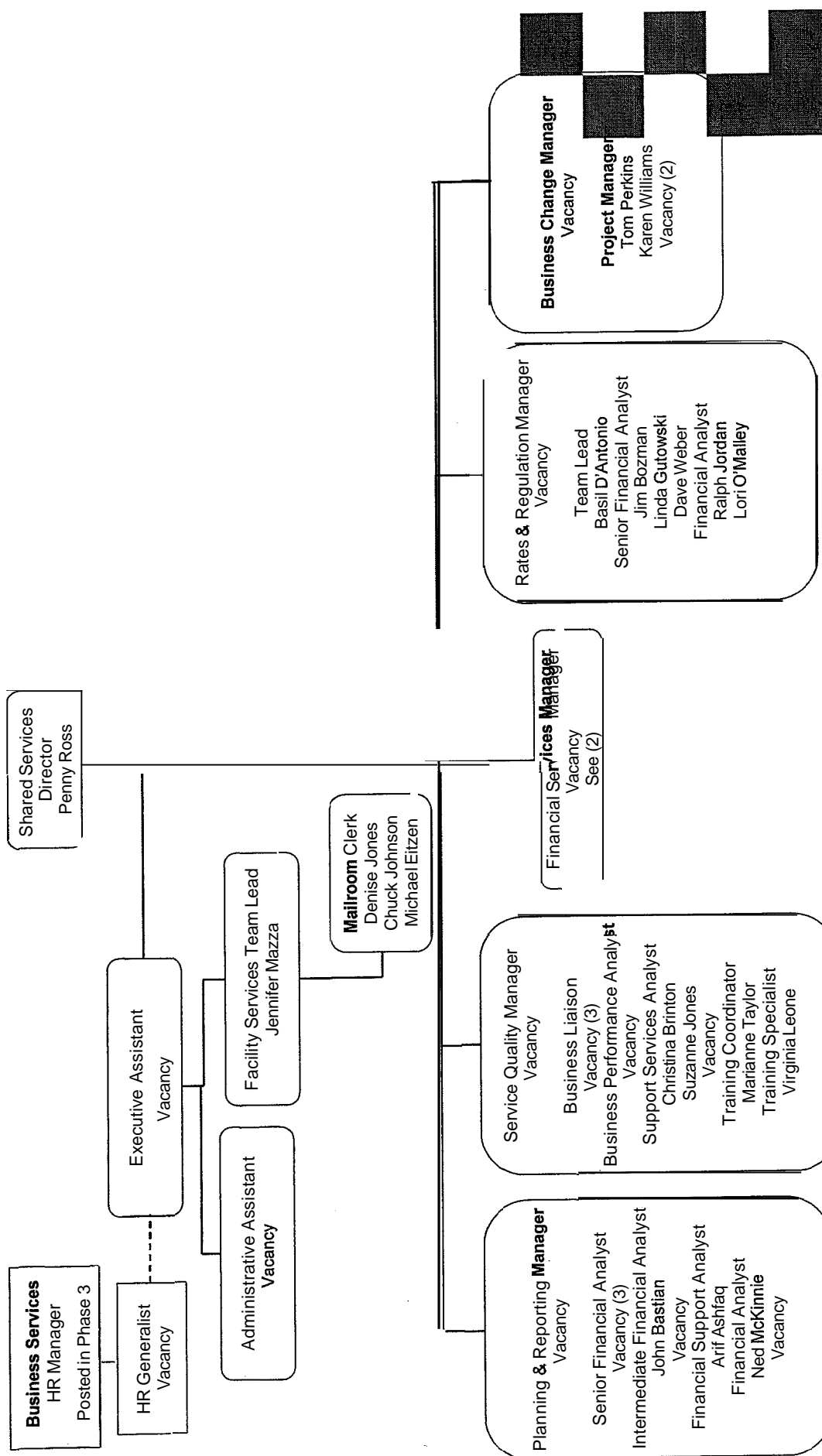
16



\*Positions posted on May 5th



# Shared Services Center (1)

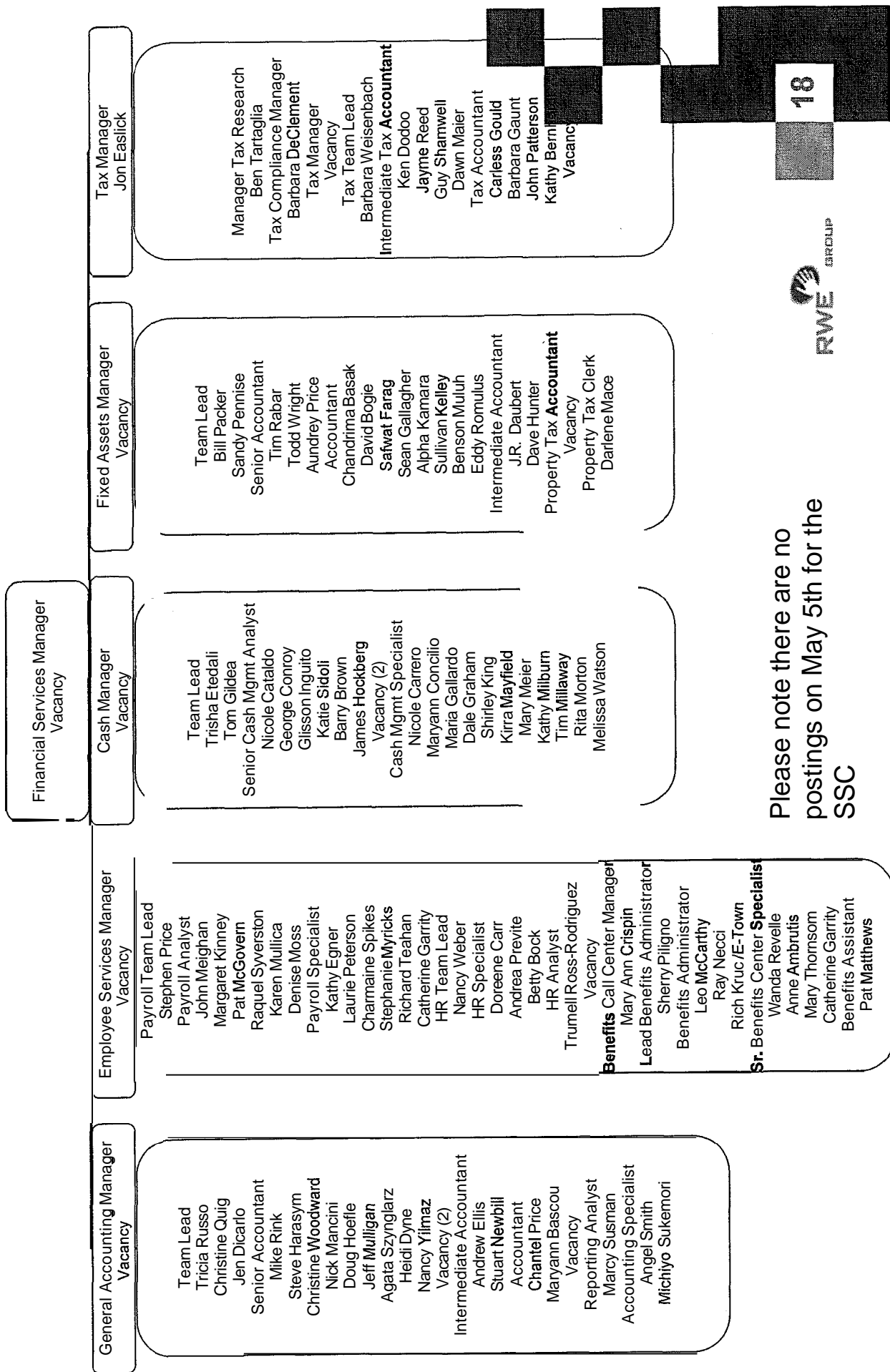


Please note there are no  
postings on May 5th for the  
SSC





# Shared Services Center (2)



Please note there are no  
postings on May 5th for the  
SSC

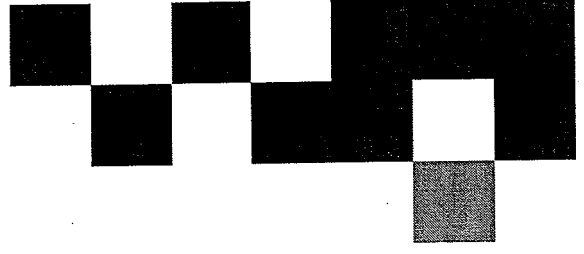




# CUSTOMER & SHARED BUSINESS SERVICES

## Summary of Organizational Changes

May 5<sup>th</sup>, 2004

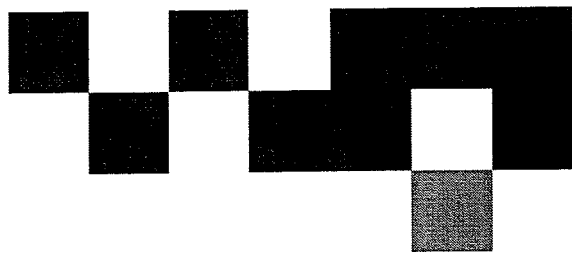






## **Rationale for Changes**

- **Alignment of the Customer and Shared Business Services team to support the change from 7 to 4 regions**
- **Integration of activities to support the new enabling and governance role of the Voorhees Business Center and the changes in management accountability for parts of our O&M business**
- **Develop a new and improved service relationship with the Operating Regions**
- **Design an organization which suits the current business need and known changes e.g. Information Technology Investments (STEP).**
- **Contribute towards the financial goals and targets of the business**



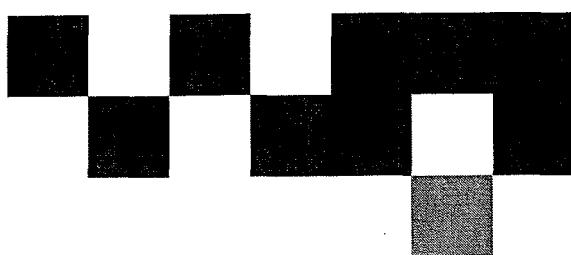


## Guiding Principles

To align the organization and processes between the regional businesses and customer and shared business services to support our new strategy and business model

To engage and seek feedback on areas for improvement from the regional businesses and employees in our existing teams using a mix of one to one meetings and the company wide communication road shows conducted in **March/April 2004**

- To seek further business consolidation and efficiency improvements that existed across the organization
- To make the tough decisions – to get the right people in the right jobs
- Going forward - to work with the Regional teams to develop balanced scorecards, performance metrics and service level agreements which will define the performance contracts for service provision and delivery within the business





# Procurement – Why Change?

- A Strategic review of procurement processes was conducted during 2003 by a multi-disciplinary team from across the organization.
- This review identified the value of improvements in the following areas:
  - A description of the end to end procurement processes within the business
  - Alignment of the organization to fit those end to end business processes
  - The creation of a single dedicated team for sourcing all materials throughout the organization
  - The recognition of the need for dedicated procurement resources in both the operating regions and the central team and an operating model which described how these teams would work together
  - The need to improve data quality, reporting and information systems associated with procurement processes across the organization.

The review also identified Inventory Management as a future opportunity for the new procurement (central & regional) teams to work on in once the new organization and processes have been established.



# Procurement – What has Changed?



- The five functional components of Procurement

## **Strategic Procurement**

Develop and execute *national and global* sourcing strategies for product and service categories. Manage vendors, agreements and internal customers for sourced categories. Provide guidance and act as a knowledge resource for Regional procurement. Conduct market research on key commodities and communicate findings to Business units to assist in the budget process. Continually investigate new and innovative opportunities within the procurement field including technology, processes and enablers.

## **Regional Strategic Procurement**

Develop and execute *regional and local* sourcing strategies for product and service categories. Manage vendors, agreements and internal customers for sourced categories.

## **Fleet Management**

Oversee the Fleet Management Program, including the buying process, on-going maintenance and operations, life-cycle management and disposition, and standards and specifications definition. Develop and execute national sourcing and cost reduction strategies, plan budgets, manage vendors, agreements and internal customers for the Fleet categories, which include operating and construction equipment, passenger and utility vehicles, and tires.

## **Energy Management**

Oversee the Energy Management Program. Develop and execute national, regional and local sourcing and cost reduction strategies, audit invoices, plan budgets, manage vendors, agreements and internal customers that support the buying process for energy such as Electricity, Natural Gas, and fuel oils. Responsible for energy conservation efforts including energy audits, efficiency projects, and assessment of internal energy usage requirements.

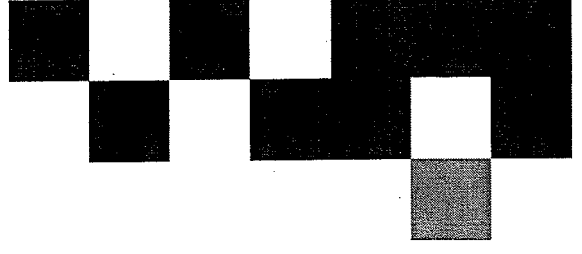
## **Procurement Operations**

Build and improve procurement capability through processes, systems, training, performance measurement, business analyses – including invoice auditing and budget planning -- need to realize and sustain benefits over time. Control all purchasing master data within JD Edwards, process JD Edwards purchase orders, and manage the Purchasing Card Program. Responsible for knowledge management and communication of all Procurement activities.



## Information Technology Services – Why Change?

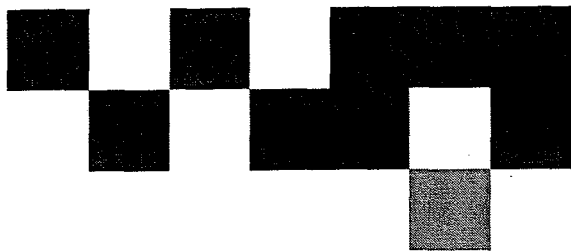
- Alignment with the new management teams and their responsibilities in the operating regions
- Integration of the Elizabethtown Water Company ITS team and technology into ITS organization
- Feedback from Customer Meetings emphasized the need for stronger partnership with the operating regions.
- Improved Governance, Planning & control framework for ITS within the organization
- Re-alignment of resources in anticipation of technology changes via the STEP program





## Information Technology Services – What has Changed?

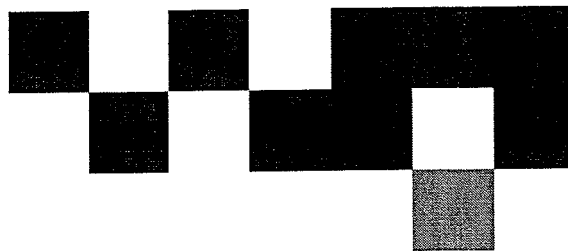
- Core Business Systems is a merge of Financial and Customer Care Application teams.
- There is an increased focus on Quality Assurance and Project Management as a result of the new organization.
- The new Strategy, Planning and Governance role is addressing the need to better align the America's Region with both the Water Division and RWE.
- The regional Business Reporting roles were identified as a business need and were not addressed during the last ITS re-organization.
- The Regional Manager positions within the Client Relations teams have been modified to reflect an increased emphasis on business partnership and improved relationship management between the regional businesses and the other ITS teams. This will assist ITS in determining the business customer's needs and in ensuring that these needs are delivered through our business planning process.
- As the Business and ITS become more metric oriented and establish Service Level Commitments, the Performance Metrics Analyst will monitor and report ITS's performance against those metrics.





## Laboratory – Why Change?

- Consolidation of laboratory facilities for drinking water (chemical analyses) between Belleville and the operating regions (11 facilities to 1 center of excellence)
- Existing sophisticated testing equipment is significantly under utilized at both Belleville and in the operating regions. This will lead to a reduction in maintenance costs across the Company
- Duplication of resources and costs between the Bellville Laboratory (Service Company) and the operating regions.
- Development of wastewater analysis capability to support our new business strategy

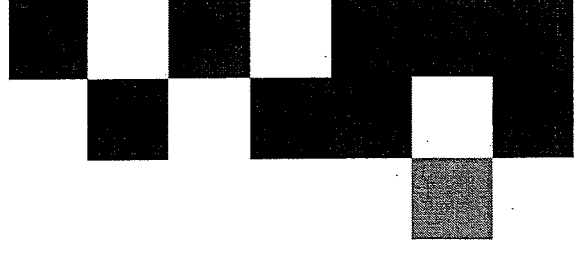


## Laboratory – What has Changed?



Additional of an incremental number of positions at the Belleville Laboratory to undertake the shift in workload from the regional facilities to Belleville. (Note Bacteriological analyses will continue to be tested locally in the regional operations).

- Communication is on-going with Regional teams to quantify the exact number of positions required, given recent changes that have already been made within the Regional organization structures and the impact on property and equipment rationalization

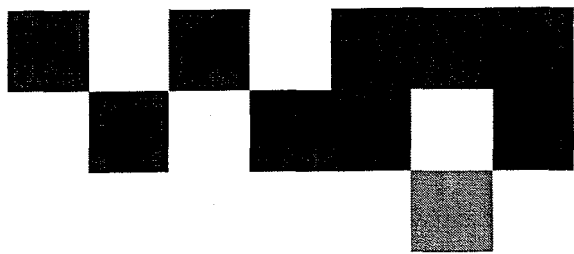






## Customer Service Center – Why Change?

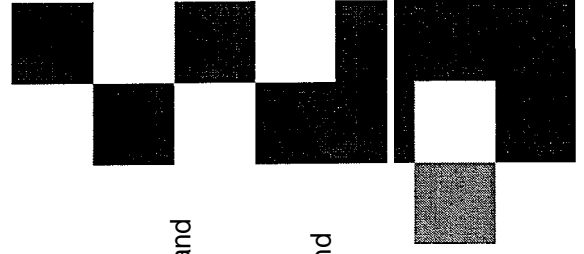
- Consolidation of AW call centers into Alton and onto the ORCOM customer system is complete
- Consolidation of Customer Service Center activity into one location combined with growth in our business over the last 2 years has stretched the capacity of our Alton facility to its limit. A 2<sup>nd</sup> satellite customer center is currently being considered to improve service provision and business continuity arrangements for this across the Company.
- Integration of the Elizabethtown Water Company Customer Services Center into AW
- Need to improve the quality of service to our customers
- Need to improve working relationships and service levels with the operating regions
- Need to improve consistency in management, supervision and application of policies, procedures and performance tools within the Alton Customer Center



# Customer Service Center – What Has Changed?



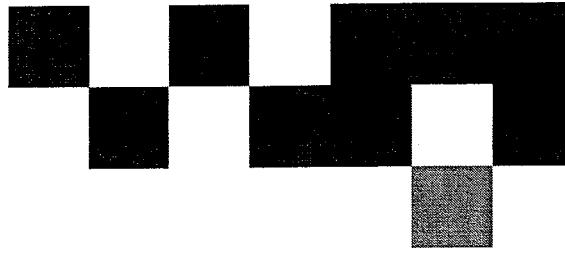
- **Manaaement Team**
  - Begins the transition to a matrix management organization in order to support future roles/functions in the Second Center
- **Call Handling**
  - Receives responsibilities for the Time Critical function
  - Ratio of CSR's to Team Supervisors increases from 1 16-8 to 1 110-12
  - Reduction in total number of Group Supervisors and Team Supervisors
- **Quality and Performance Manaaement**
  - Formerly the Operations and Performance Management Team
  - Manager role expanded to include all key educational activities in the Center
  - Training manager and direct reports, coaches and quality monitoring teams will report into the Quality and Performance Management function
  - Addition of line management responsibilities to the Sr. Financial Analyst role
- **Business Services**
  - Manager role expanded to include Facilities management activities, including building maintenance, vendor contracts, and mailroom functions
- **Human Resources**
  - Realignment of roles to support and strengthen the HR function in the current organization and in preparation for Second Center



# Shared Service Center – Why Change?



- Alignment with the new management teams and their responsibilities in the operating regions
- Integration of the Elizabethtown Water Company and American Water Services into the Shared services team
- Expansion of the Shared Service concept and the addition of new activities e.g. HR benefits group, to enable the Voorhees corporate center to fulfill its new corporate governance role.
- Improve our capability and quality of information to better support the business in future Rate Case determinations



## Shared Services Center – What has Changed?



- New responsibilities transferring into Shared Services include:
  - Corporate Finance activities e.g. treasury, planning and reporting, tax, corporate accounting
  - Corporate HR activities e.g. Benefits Service Center, Ex Pat support, RWE reporting
- These new activities have been incorporated into the appropriate teams within the SSC - except for Tax which remains a separate team in Shared Services
- The SSC rates team has been separated out, led by a new Manager who will also have an 'Expert Witness' role
- The span of control of the Director roles has been increased in line with the overall reorganization philosophy
- Efficiency savings have been identified within the current SSC activities and organization
- The Account Managers and Support Services functions have been combined into one team and the Special Projects team has been expanded into a Business Change Support team
- The E'Town SAP Transition team has been integrated into the appropriate functional teams
- The SSC internal HR activities have been transferred to the new Business Services HR team reporting to Bob Collington (although it is expected that some HR support will continue to be located in the SSC due to the location and volume of the work)
- The timing of the transfer of responsibilities and of the physical relocation of teams into the SSC will depend on knowledge transfer and a review of accommodation requirements

