

# splash

News for American Water's Southeast Region employees

www.amwater.com

April 2006

## RWE announcement to pursue IPO for American Water

On March 24, 2006, RWE announced its decision to pursue an initial public offering (IPO) in the U.S. for the shares of American Water, with a target completion date during 2007. The IPO will return American Water to its status as a publicly traded company that is focused on water and wastewater in the U.S. and dedicated to maintaining a high level of service and quality. This is an exciting time for the company, and we remain as committed as ever to investing in our utility operations, while providing reliable, high-quality water and wastewater service.

"This is exciting news for us, and an opportunity to demonstrate American Water's commitment to our employees, and to the communities and customers we serve," said **George MacKenzie**, then interim president and CEO.

"While this news is a milestone, we do not yet have answers to many of the questions you might have. Please continue to remain patient as we are committed to keeping you updated about the process. I again encourage everyone to remain focused on our customers and continue to provide superior service and value to them as we prepare for this new chapter in the history of American Water.

"As a reminder, the U.S. securities laws and regulations impose strict restrictions on American Water, its local operating subsidiaries and employees as to what may and may not be said to the public about the company, its local operating subsidiaries and the IPO process. Please remember that any violation of these laws and regulations could have

serious negative consequences to American Water, RWE and the individual committing a violation. To comply with these restrictions, all questions from the media and others should be referred to **Dan Kelleher**, External Affairs, at (856) 346-8258 or **Kimberly Cooper**, External Communications, at (856) 346-8207."



## West Virginia American Water brings water, fire hydrant protection to new customers

West Virginia American Water, along with the Army Corps of Engineers and state and local officials, broke ground on March 27, in support of a new line extension. The Pettry/Elgood Water Project will provide potable water and fire hydrant protection to 29 households. The project is the first phase of an overall effort that will someday provide water service to another 1,100 customers.

From left, Former West Virginia Senator Tony Whitlow; Hillis Warren, chairman, Oakvale Public Service District; Congressman Nick Rahall; West Virginia American Water President Deborah Herndon; Col. William Bulen, U.S. Army Corps of Engineers; and Dave Cole, director, Region One Planning Commission.

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**Contributors:** Kim Corbin | Joi Corrado | Kim Dalton | Gary Lobaugh | Valeria Cummings Swope | Susan Turcmanovich



## Regional President's Message

# Continuing our journey to greatness

This month marks my one-year anniversary with American Water as your regional president. As I reflect on the past year – where we've been as a region, what we've done and where we are going – I can't help but get increasingly excited about the future, and the journey we are on toward greatness.

On March 24, RWE announced its decision to pursue an initial public offering in the U.S. for shares of American Water. This truly is exciting news for our company, our region and our employees. As this process moves forward, I know that I can count on each of you to keep doing what you do best – providing reliable, quality water service to our customers – while at the same time looking for opportunities to do things even better.

Every employee in every state of our region is currently working through unique challenges of some kind and/or working to capitalize on tremendous opportunities: we are solving water supply problems, expanding service areas, defending our right to do business, investing in systems and facilities, reducing non-revenue water, improving water quality, refining our procedures, containing expenses, cultivating new relationships, learning from mistakes and providing even better levels of service to our customers – while at the same time performing all of our “regular” duties.

We are making good progress toward our 2006 regional goals, but I must remind everyone that this journey is not a solo expedition. The Southeast Region can't achieve greatness because of the efforts of one, or even

a few. **Everyone** must embrace the idea that we are **all** drivers on this road to greatness. I challenge each of you to:

■ **Be the Expert** – Don't blindly accept past practice or hesitate to dig for more information. Be as informed as you possibly can be about your industry, your company and your function.

■ **Take Accountability** – Take ownership of what you do. Don't assume someone else is. Be proactive rather than reactive.

■ **Share Your Ideas** – Fresh perspectives shed new light on situations, force us to question why we do things the way we do, and ultimately, create opportunities for improvement. When the opportunity arises, speak up. If there isn't the opportunity, create one!

■ **Look for Ways to Improve** – Stay informed about advances in your field; be open to new ideas; encourage feedback from your peers, staff and stakeholders; never stop asking, “Is this the best we can do?”

■ **Be Passionate** – Never forget that what you do at American Water every day has tremendous impact on the lives of others. In my travels



Dan Warnock

throughout the region, I have seen in employees a tremendous energy, enthusiasm and passion for the water business. Don't lose sight of that – keep it going and pass it on.

■ **Be a Leader** – As our industry and our company continue to evolve, we must have strong leadership at every level in the organization in order to achieve success and provide our customers with the quality service they have come to know and expect from American Water.

As we move into this next chapter of American Water history, I want to thank each of you for your efforts to date. I'm convinced that if we each take the challenges listed above to heart, our region will most definitely reach a true level of greatness!

**Do you have comments to share?**  
Safety & Communications Hotline  
1-800-480-9140  
e-mail: [ser.hotline@amwater.com](mailto:ser.hotline@amwater.com)

## 2006 Southeast Region goals

**The goals for the region have been set, and each of us has a role to play in achieving them.**

- Achieve financial objectives
- Achieve growth objectives
- Improve stakeholder relationships and execute on rate cases
- Position the region favorably during the divestiture
- Perfect operational excellence
- Strengthen the organization

## Employees are making it happen

*Editor's note: Throughout the Southeast Region, employees are working together to make our company an even better place to work. They are serving on the Change Partner Network, KnowledgeShare and Regional Improvement Network teams, to name a few. In subsequent issues of Splash, we will highlight some of the accomplishments of these groups to date.*

One outcome of the Regional Improvement Network meetings in Wilkes-Barre, Pa., is the implementation of the Employee Suggestion/Issue Document. Employees can use a standardized form to submit an idea, suggestion or

complaint to their supervisors. Supervisors must respond within a 10-day period; if the supervisor does not respond, the employee can escalate the issue to the next level. Unsigned forms are to be used for discussion during group meetings.

According to Peg Whitman, Wilkes-Barre RIN facilitator, "We do hope that something good will come from these meetings. A lot of work, time and energy has been placed into the meetings, and it would be a shame to have it go by the wayside. The ideas from the RIN team members were great, and if placed into action will help a lot of people and hopefully make their jobs easier."

## Values in action

Our company values are Customer Focus, Performance, Forward Thinking, Trust and Reliability. We salute those employees who go above and beyond daily to reflect these values.

**Scranton/Wilkes-Barre, Pa.**  
Network Supervisor Tom Laird recently received a compliment from local customers, Charles and Roseann Bonchonsky of Exeter, Pa. Roseann and Charles called the customer service center to express their gratitude for the moving of a fire hydrant. They were grateful for the kindness. According to Customer Service Representative Shelly Shafer, who took the call, "Roseann was full of compliments for Thomas, and I just had to share this information to let everyone know how happy the customer was with him."

**Pittsburgh, Pa.**  
Customer Dorothy Paul from Pittsburgh wrote, following a recent main break that resulted in some flooding at her home, "Not knowing what to expect or just where to begin after the water subsided, I was pleasantly surprised when the first knock on the door was from Pennsylvania American Water's Matt Macek. I sure wouldn't have wanted his job that day! After my initial interaction with Matt, DRS (Disaster Restoration Services) took over. Decisions were made and work began. The professional expertise of the crew was amazing. I couldn't have asked for a better group of guys...and I thank you."

**Western, Pa.**  
Brian Allen, P.E., with the Pennsylvania Department of Transportation recently wrote, "The Pennsylvania Department of Transportation had recently been required to immediately replace the bridge that spans State Route 422 due to unforeseen deterioration. Replacement...also included the relocation of your company's eight-inch water line that was attached to the structure. We would like to express our sincere appreciation for the outstanding cooperation we received. Bill Lage, Tom Harrison, Larry Lambo and your subcontractor, Graziana Construction, were all very proactive. These individuals are a credit to your organization, and we commend them for their excellent work."

## Celebrating service

**Congratulations to the following employees who recently celebrated milestone service anniversaries with the company.**

NAME	YEARS	LOCATION
<b>MARCH 2006</b>		
Robert Lee Fannin	35	Huntington, W.Va.
Robert W. Meyer	35	Pittsburgh, Pa.
Vernon Smith Jr.	35	Huntington, W.Va.
Robert E. Burrells	30	Kanawha Valley, W.Va.
Glenn M. Chamberlain	30	Yardley, Pa.
Daphne G. Constantino	25	Princeton, W.Va.
Ricky J. Decarbo	25	New Castle, Pa.
Dominic R. Antonelli	20	McMurray, Pa.
Anthony J. Gangemi	20	Wilkes-Barre, Pa.
Andrew M. Grier	20	Hershey, Pa.
Wesley I. Jones	20	Wilkes-Barre, Pa.
Charlotte A. Hutsell	20	Chattanooga, Tenn.
Johnny M. Midkiff	20	Princeton, W.Va.
Brett W. Morgan	20	Kanawha Valley, W.Va.
Scott D. Reiner	20	Abington, Pa.
Ricky E. Stephens	20	Chattanooga, Tenn.
Mark A. Stewart	20	Clarion, Pa.
Teresa K. Yingst	20	Hershey, Pa. (AWWS)
Bernard J. Grundusky Jr.	15	Hershey, Pa.
Dennis G. Pottelger	15	Glen Alsace, Pa.
Steve A. Villar	15	Norristown, Pa.
Patricia L. Presnar	5	New Castle, Pa.

# Regional **FLAVOR**

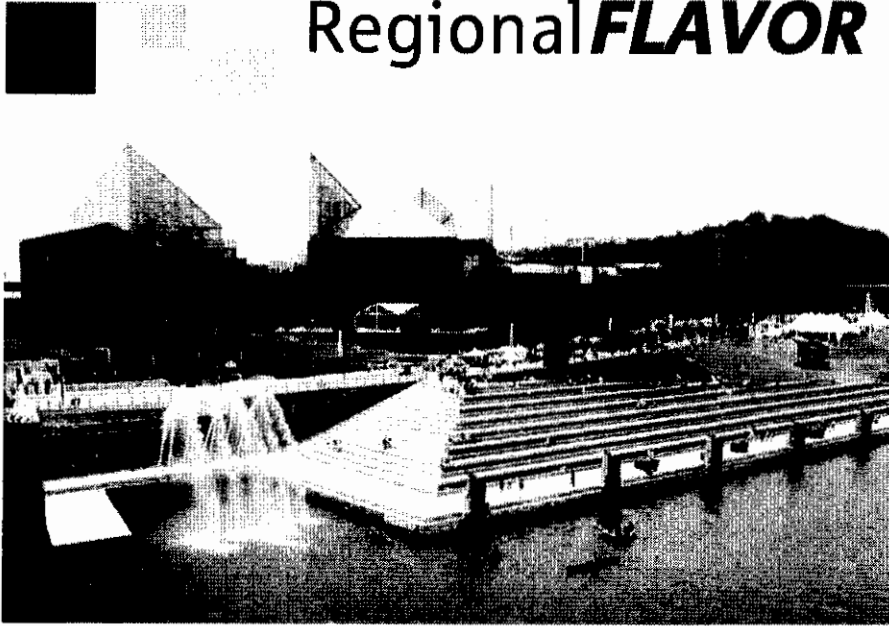


Photo by David Andrews, courtesy of Tennessee Aquarium

## A hot spot on the river

The Tennessee Aquarium, which opened in April 1992, is located in Ross's Landing Park and Plaza on the banks of the Tennessee River in downtown Chattanooga. The facility tells the story of a river, from the Appalachian Mountains to the Gulf of Mexico, and showcases freshwater and marine habitats. The 12,000 animals at the aquarium live in one million gallons of water purchased from Tennessee American Water.

In addition to being a resource for environmental education, the Tennessee Aquarium is also credited for serving as the primary driver for revitalizing Chattanooga's downtown, a project titled "Renaissance on the River." The local Chamber of Commerce estimates that the revitalization of the riverfront area has had an economic impact of \$1.5 billion.

## Focus on diversity Special May dates

### Independence Days

- 3 - *Kempo Kinen-Bi* (Japan)
- 5 - Dutch Liberation Day (Netherlands)
- 14 - Paraguay
- 20 - Cuba
- 25 - Jordan
- 26 - Revolution Day (Argentina)

### Regional and Cultural Holidays

- 1 - Bank Holiday (Europe)
- 1 - *Flores de Mayo*/ Flowers of May (Philippines)
- 1 - Lei Day (Hawaii)
- 2 - Memorial Day (Israel)
- 5 - *Cinco de Mayo* (Mexico, U.S.)
- 5 - Children's Day (Japan)
- 8 - Liberation Day (U.S.)
- 10 - Golden Spike Day (U.S., Asian-American)
- 14 - Mother's Day (U.S.)
- 20 - Armed Forces Day (U.S.)
- 25 - African Freedom Day (International)
- 29 - Memorial Day (U.S.)

### Religious Holidays

- 13 - *Vesak* (Buddhist)
- 23 - Declaration of the Bab (Baha'i)
- 25 - Ascension Day (Christian)
- 29 - Ascension of Baha'u'llah (Baha'i)



## A little Southeast TRIVIA

Each edition of Splash will include a trivia question about the Southeast Region. To participate, simply e-mail or forward (by e-mail or hard copy) your answer – along with your name and contact information – to your local communicator by May 5 (see listing on front page). If more than one person submits the correct answer, a drawing will be held to determine the winner. The winner will receive a prize package of state-themed items!

### We have a winner!



Congratulations to **Tim Anderson**, operations specialist at Kentucky American Water, the winner of the March trivia contest. His name was drawn from those who correctly answered the following question: *Only Alaska has more miles of rivers and streams than which state, which is part of American Water's Southeast Region? Answer: Kentucky (Kentucky has 189,000 miles of rivers and streams.)*

Tim won a package of Kentucky Derby-themed items.

### This edition's question:

Which early 20th-century U.S. Supreme Court case set forth ground rules to determine a utility's cost of capital, or what it costs a utility to obtain capital from lenders and shareholders?



## How does *your garden* grow?

Quality water and gardening are a natural combination. For that reason, Pennsylvania American Water partnered with Trax Farms in Finleyville, Pa., to sponsor a Day of Gardening on April 22. The event was open to gardening enthusiasts of all ages who wanted to learn more about gardening, landscaping and related projects for the great outdoors of their backyards.

Local gardening experts were available to present half-hour

seminars on a variety of gardening topics such as Soil Structure and Amendment, Quick Tips for Cooking with Herbs, Using Shrubs and Trees Effectively in the Landscape, Theme Gardening, Indispensable Daylilies and Discouraging Unwanted Garden Guests. A hands-on workshop for adults was also offered in which participants planted their own culinary herb baskets.

## A “Wonderful World of Water” Day Camp

This summer, children in the suburban South Hills of Pittsburgh will have the opportunity to combine outdoor fun with learning about water—a resource often taken for granted—and it won't cost their parents a dime!

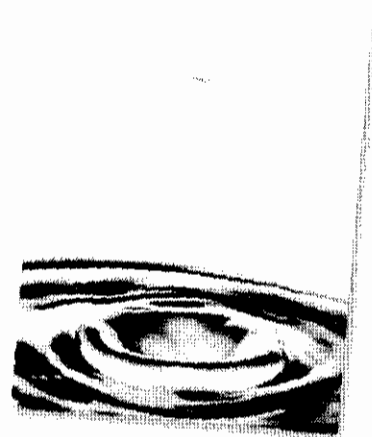
Sponsored by Pennsylvania American Water and in partnership with the Pennsylvania Resources Council, the first annual Wonderful World of Water Day Camp will take place July 17 and 18 in the Municipality of Mt. Lebanon's Bird Park. Mt. Lebanon is one of the 39 suburban Pittsburgh communities served by the company.

Day campers, ages 7 – 12, will explore watershed basics, learn how human activity on the land affects the quality of water in rivers and streams and discover solutions to water pollution. Hiking the park's nature trails,

conducting water experiments and making related crafts round out each day's camp activities.

Pennsylvania American Water staff, including water treatment plant personnel **Cindy Geis**, **Greg Tokar**, **Tom Trok**, along with Communications Specialist **Phil Cynar**, will help PRC staff in running the day camp and in providing water education.

“I am excited about this opportunity,” said Cynar. “PRC has had success with environmental day camps in the past—indicating that parents are seeking opportunities that add value for their children during the summer months. Our event will offer the best of outdoor fun and recreation with interesting lessons on water and how we all play a role in protecting Pennsylvania's beautiful waterways.



“The day camp is about more than fun; it's about preparing today's kids to become tomorrow's environmentalists,” said Cynar.

## Reforestation the Bluegrass

Despite the chilly temperatures and even a few snowflakes, hundreds of volunteers participated in the eighth annual Reforest the Bluegrass held in Lexington, Ky., on March 25, including Kentucky American Water employees **Mitzi Combs, Susan Lancho and David Shehee.**

Reforest the Bluegrass is an annual tree-planting event held in area parks adjacent to urban streams. More than 150,000 trees have been planted across Lexington as a result of the program. The project is designed to improve air quality, increase the number of natural habitats for wildlife and improve water quality by extracting pollutants from stormwater. The event is coordinated by the Lexington-Fayette Urban County Government, and Kentucky American Water is the lead corporate sponsor.

In addition to the actual planting of seedlings, a variety of community organizations, including Kentucky



**Volunteers at Reforest the Bluegrass plant seedlings at a Lexington Park.**

American Water, provide educational activities and displays during the

event. This year's effort resulted in the planting of 5,000 seedlings.



## *“Keeping Current”* highlights Kentucky River

Kentucky American Water recently participated in the official debut of the Explorium of Lexington's newest exhibit, “Keeping Current,” an educational depiction of the Kentucky River. The Explorium, located in downtown Lexington and formerly known as the Lexington Children's Museum, provides a variety of educational, hands-on activities for youth.

The Kentucky River is the primary source of water supply for Central Kentucky, including the majority of Kentucky American Water's 114,000 customers. The “Keeping Current” exhibit has 27 feet of running water made to help educate children about locks and dams, droughts and floods, and historical transportation and homes on the waterway. The exhibit is sponsored in part by Kentucky American Water.

## Tennessee American Water partners with nationally acclaimed aquarium

More than 25,000 children in Tennessee will learn this year about the importance of clean drinking water and protecting the environment thanks to a mobile educational program sponsored by Tennessee American Water and coordinated by the Tennessee Aquarium in Chattanooga.

The outreach programs—with names such as “Creepy Crawlies,” “Feeling Froggy,” and the “Rainforest Shuffle”—engage children in all sorts of imaginative, interactive activities. The “Build Your Own River” program involves students examining the ways they use water and determining where their water comes from. Then, by using props and costumes, they “transform” themselves—becoming everything from mountain streams,

rocks and water features to aquatic insects and plants. After they collectively recreate a thriving freshwater ecosystem, the students discover how pollution can affect the delicate balance of a healthy river and drinking water supply.

“The kids have a great time building a river, and really get into the characters of the plants and animals,” says Bill Haley, education outreach coordinator for the aquarium. “But they also take away a sense of how fragile a river system can be.”

The Tennessee Aquarium, which opened in 1992, is the world’s largest freshwater aquarium and is located in downtown Chattanooga on the Tennessee River.



## Cell phone donations aid Victims Resource Center

Pennsylvania American Water employees in Northeast and Central Pennsylvania recently donated more than 50 cell phones and raised \$225 during a dress-down fundraiser. Donated cell phones are refurbished and programmed with 911 dialing capability for victims of abuse. The center will use the monetary donation to create comfort kits for rape victims, to be distributed at area hospitals. The kits provide clothing to rape victims who must leave their clothing for forensic examination.

Above: Mary Walsh, director of finance and administration, Victims Resource Center, and Susan Turcmanovich, communications and corporate responsibility specialist, Pennsylvania American Water, with a sampling of the donated cell phones.



Tennessee American Water General Manager John Watson, (back row, second from right) the Tennessee Aquarium’s Bill Haley and fifth-grade students from Spring Creek Elementary toast the educational partnership between Tennessee American Water and the aquarulum.

## Welcome aboard

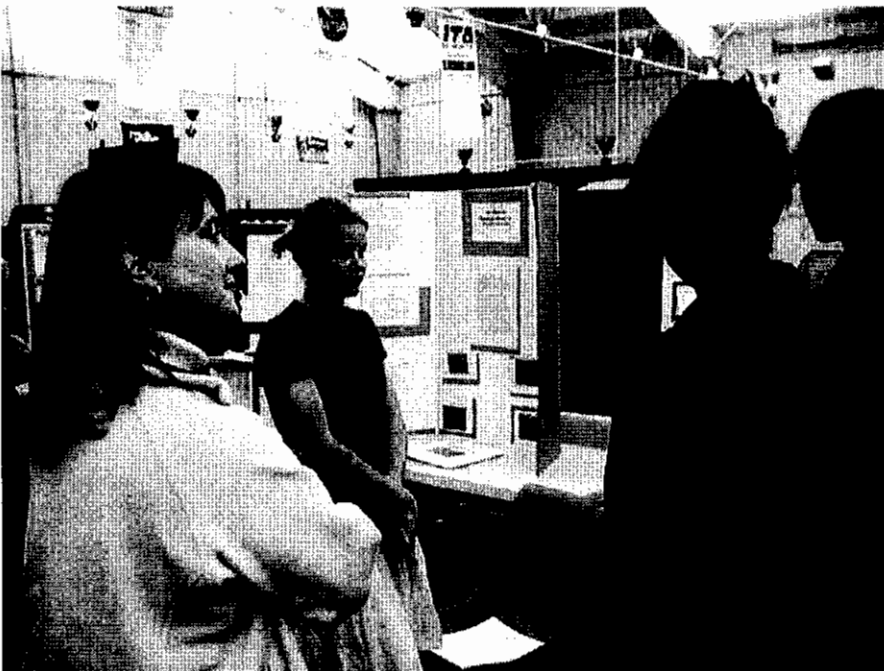
The following individuals recently joined American Water's Southeast Region.

NAME	TITLE	LOCATION
<b>Kentucky</b>		
Victor Kinley	Utility	Lexington
Ronnie Scott	Utility	Lexington
<b>Pennsylvania</b>		
Danette Kersetter	Plant Operator	Milton
George Cadwallader	Meter Service person	Pittsburgh
James Kelly	Network Supervisor	Coatesville
Matthew Toth	Asst. Plant Operator/Maint.	Pittsburgh
Thomas Panichella	Operations Specialist	Butler
<b>Tennessee</b>		
Brian Billups	Field Service Representative	Chattanooga
Lamar Jenkins	Field Service Representative	Chattanooga
Jason Mount	Field Service Representative	Chattanooga
<b>West Virginia</b>		
Kim Corbin	Communications & CR Specialist	Charleston
Richard McLane	Project Manager	Charleston
<b>Florida</b>		
Lawrence Moyer	Facility Manager	Tampa Bay

## Communications survey coming soon

What would you like to see featured in *Splash*? Are Weekly Talking Points meeting your needs? How often do you use the American Water intranet? These questions and more will be posed in a brief survey soon to be distributed to all Southeast Region employees, and coordinated by the regional external affairs team. The survey will be distributed by e-mail, but hard-copy versions will also be available.

The external affairs team thanks you in advance for your participation in this survey, which will help enhance our region's communications efforts.



## Supporting science education

Susan Holmes, water quality supervisor for Tennessee American Water, talks to a group of high school students about their science project while judging the Chattanooga Regional Science Fair.

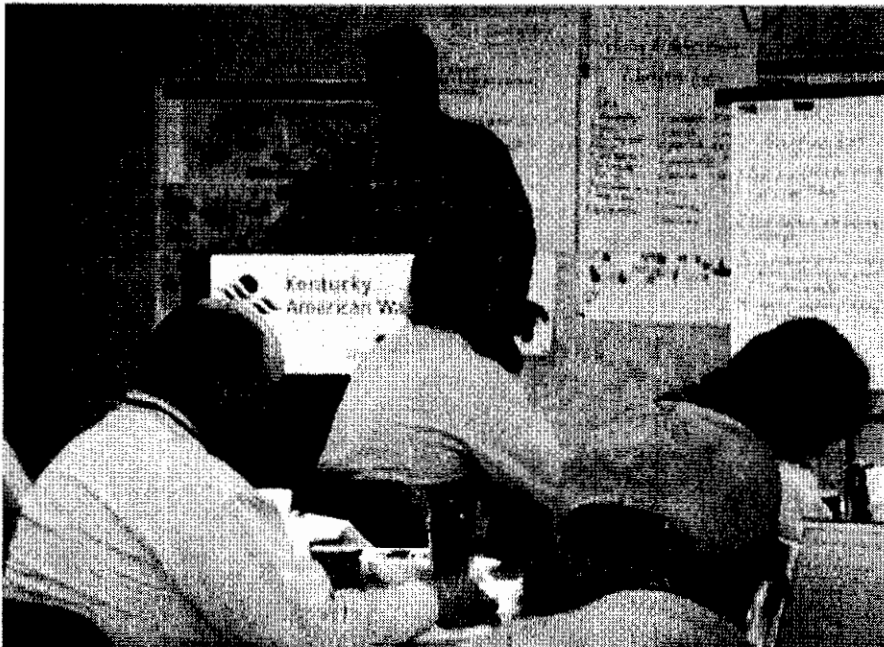


# splash

News for American Water's Southeast Region employees

www.amwater.com

March 2006



**Bill Buckner, operations supervisor - network, Kentucky American Water, addresses employees at the meter reader training session.**

## New manual, training for meter readers

Meter readers are some of the best eyes and ears of the company because of their visibility and possible interaction with customers. Their job is even more important because the readings they get determine the bills sent to our customers. In the past, training for meter readers has varied from site to site, but now that's changing.

The first meter reader training manual was unveiled for the Southeast Region at a meter reading training session held in Lexington, Ky., on March 8. The manual was designed by **Suzanne Noll**, training and development manager, and Trainer **Joan Shott**, with input from meter readers, supervisors and regional representatives.

*Continued on page 9*

## A new focus on reducing water losses

If you haven't heard the buzz about non-revenue water, you soon will. Non-revenue water, or NRW, was previously referred to as Unaccounted-for Water, but the new initiative means much more than a simple name change.

The calculation for NRW is straightforward:

**water loss = system delivery - sales.**

In the past, we focused primarily on water lost through leaks, tank overflows, street cleaning and hydrant flushing programs. We are now focused on controlling all kinds of water losses:

- **Real losses** – Water lost through leaks, street cleaning, tank overflows and hydrant flushing programs
- **Apparent losses** – Water not accounted for due to meter inaccuracies, theft, billing errors and more.
- **Authorized Consumption** – Water losses due to company uses such as hydrant flushing, flushing of new mains, donated water, etc.

American Water is committed to focusing on this important issue so

*Continued on page 10*

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## **Regional President's Message** **Good to great!**

In December, 70 managers of the Southeast Region met to discuss what we needed to do to take our region from good to great. We came up with our 2006 goals which are listed below. We also dedicated ourselves to aligning those goals throughout the region to make sure every employee knew our focus in 2006. Just three months into the year, it is evident to me that you have stepped up to the challenge.

As we expected, 2006 is shaping up to be everything we thought it would be. The sale of American Water is progressing. The significant impact of making the company compliant with Sarbanes Oxley is just beginning to be felt. We are proactively challenging a minority of customers in some of our communities who desire to take our business from us. We are focused on improving our collections and reducing our aged receivables. We are committed to reducing lost revenue and controlling expenses. We are re-establishing and strengthening relationships in our states so that our customers, regulators and legislators understand the key role we play in enhancing their communities. We are

improving our operational excellence in areas of environmental and regulatory compliance, non-revenue water and

capital improvements. Growth, particularly in the form of tuck-ins (small acquisitions close to our current footprint), is accelerating.

I offer you my encouragement during these very busy times in our region. I know the "to-do" list seems to get bigger rather than smaller. We are trying to address this by filling the vacancies that are in your areas as fast as we can. I have also asked the region's Executive Management Team to examine the gap in resources in those functions that are high priority.

While the challenges are significant and we have a way to go, I can feel the improvement in the region. I am excited about the changes taking place in the region. I want to thank each of you for the commitment you have demonstrated to making our region the best in American Water. I can sense that there is a renewed effort to "get back to the basics."



**Dan Warnock**

## **American Water Interim CEO George McKenzie recently announced these three key areas of focus for American Water in 2006:**

- Delivering reliable, high quality service to our customers
- Investing in our existing businesses
- Growing our business



Beginning later this month, I will be traveling throughout the region to update you on a number of issues. These visits are one of my favorite activities as I have the chance to interact with you personally and hear what is on your mind. I look forward to seeing you.

**Do you have comments to share?**  
**Safety & Communications Hotline**  
**1-800-480-9140**  
**e-mail: [ser.hotline@amwater.com](mailto:ser.hotline@amwater.com)**

## **2006 Southeast region goals**

**The goals for the region have been set, and each of us has a role to play in achieving them.**

- Achieve financial objectives
- Achieve growth objectives
- Improve stakeholder relationships and execute on rate cases
- Position the region favorably during the divestiture
- Perfect operational excellence
- Strengthen the organization

## Splash: More than meets the eye

A note from Debbie Lippert

Southeast Region Director of External Affairs

At first glance, Splash, to some, may appear to be just a "light" read—a sort of newsy mini-magazine about the company's regional operations. However, Splash is a lot more.

Splash is provided to connect colleagues—our internal customers—with news and information that is not only good to know, but that is valuable when representing the company to the people and communities we serve, or hope to serve.

In the past, in-house newsletters may have not been as strategically focused. They were, of course, interesting and featured good news about colleagues and various projects, but issues were not necessarily aligned to support our business goals.

Following the company's reorganization, we looked at our many different communications tools—internal and external. Employee newsletters were among these tools, and we made some changes to improve them. These changes included a new, common name—Splash—for brand and identity, and the production of a regional publication, versus individual, local publications, so that we could showcase the entire region and demonstrate the interdependence required for business success.

As we continue into 2006, some additional improvement will be forthcoming with Splash. Among these improvements will be a regular production schedule to provide seven issues per year. Employees can expect several 'special edition'

newsletters which will focus on key areas of our business. Special editions planned include timely stories on investment projects, business growth and corporate responsibility. There will also be regular columns and features to provide employees with insight on special regional and local issues.

Certainly we don't want our employee newsletter to lose its "employee connection." There will be regular recognition of service anniversaries and employees newly hired and some employee "spotlights" that might explore the noteworthy things colleagues are doing personally or professionally—the latter particularly reflecting how employees are improving American Water.

A company-related trivia contest will also be published in each edition—both for fun and for education. Trivia about the company can come in handy when employees are out in the community and want to share an interesting fact or anecdote about the business. These can be engaging means for making positive impressions about American Water. They also underscore our community connections in more personal ways. We have always been—and still are—a first-rate water utility focused on local people and their needs.



Debbie Lippert

## Values in action

Our company values are Customer Focus, Performance, Forward Thinking, Trust and Reliability. We salute those employees who go above and beyond daily to reflect these values.

### Scranton, Pa.

Field Service Representative **Andy Williams** recently received a compliment from a local customer, Mr. Walsh. Walsh conveyed that Williams had a pleasant demeanor with tenants at the site where he was working and simply went above and beyond to make sure everything was done correctly and that the work area was left spotless.

### Kentucky

Captain James Roff of the Lexington-Fayette Urban County Fire Department recently sent a note to Kentucky American Water expressing appreciation to **Kevin Dixon**, crew leader. Dixon came upon an injury accident in town and rendered initial aid to the driver involved in the accident using his previous medical training. He also used his truck and warning cones to secure an area around the accident scene. "It is individuals like Mr. Dixon who...make our job easier and can make a real difference....," Roff wrote.

## On the Job: Dan George

**Network Supervisor, Pennsylvania American Water  
Stafford Avenue Distribution Center, Wilkes-Barre, Pa.**



**Dan George has served American Water for 34 years.**

It's a record that's hard to beat: 32 years of perfect attendance (not bad for a man who's been on the job for 34 years), but if someone can beat his record, **Dan George** would like to think he was a motivating force behind the feat.

George oversees a 13-person crew handling various customer service functions including meter installations, new services, credit and collections, as well as enforcing state laws on backflow in the Wilkes-Barre/Scranton service district.

He believes that being a supervisor means setting examples, something he's done with his own attendance record. "If you set an example for your people, they admire that. I'm proud of the attendance record of my team," he said.

George understands his role in the overall success of the company and

tries to impart that. "Everything we do is important to what the company does," he said. "The new technology available allows us to respond to customers in a timely manner, creating a more satisfactory experience and a better impression of our company."

Additionally, George's crew is piloting a home-based reporting program. Through this initiative, field technicians report directly to their first work site from home, versus reporting to a company facility first.

"The program allows us to work more efficiently," said George. "Since we began home-based reporting, customer service has improved and productivity has increased."

George's commitment benefits both customers and his team, and management notices. According to

**Michael Salvo**, network manager, George's success stems from a commitment to his employees.

"Dan includes his colleagues in discussions on how to accomplish challenges as a team," Salvo said. "These characteristics were demonstrated throughout the development of our home-based reporting program. Without this level of trust and integrity among the team, we would not have moved this initiative forward as quickly."

Throughout his 34 years with the company, George has seen a lot of changes, and accepting them is just a part of the job. He continues to encourage his team to take the same attitude. "I get personal satisfaction from motivating my team to continue their hard work, accept the changes we face and work through the obstacles we encounter. If we are asked to do something, my team and I will complete the task—no questions asked."

## Welcome aboard

The following individuals recently joined American Water's Southeast Region.

NAME	TITLE	LOCATION
<b>Kentucky</b>		
Vickie Jelly	Meter Reader	Lexington
Tim Thomas	Meter Reader	Lexington
<b>Pennsylvania</b>		
Seth Kelly	Utility Person	Warren
Kristian Demorest	Compressor Operator	Pittsburgh
Ronald Tkach	Compressor Operator	Pittsburgh
Garrett Loeffert	Utility Person	Pittsburgh
Timothy Pagliei	Service Crew Drive	Pittsburgh
Edward Hoffman Jr.	Utility Person	Lehman Pike
Christopher Long	Regional Service Support Rep.	Wilkes-Barre
Denise Mosely	Regional Service Support Rep.	Wilkes-Barre

## Pennsylvania welcomes customers in New and Big Beaver boroughs

Pennsylvania American Water is now providing water service to approximately 150 new customers in New Beaver and Big Beaver boroughs. Last year, more than 25,000 feet of new water main was laid in these two boroughs, which are located in Beaver and Lawrence counties. This allowed customers in the vicinity to have access to a public water supply and end a dependence on well water.

The recent addition of new customers in New and Big Beaver boroughs was made possible by a 2003 mainline extension project which brought public water supply to New Beaver from

Pennsylvania American Water's adjacent New Castle system—remediating a groundwater supply contamination that resulted from a local gas station's leaking underground storage tank. The 2003 mainline project set infrastructure in place for the addition of new customers, such as those recently added.

With the backing of the New Beaver Borough Council, Helen Jackson—then borough council president—was integral in bringing the 2003 mainline extension to fruition in New Beaver. Today a borough council member and state president of the Council of

Governments and chairman of the Lawrence County Planning Commission, Jackson recently said, "Quality public water improves the borough and the quality of life for residents. Clean water and good service are invaluable. I am pleased that new customers are being added to Pennsylvania American Water's family today because of the infrastructure put in place in New Beaver in 2003. Beyond convenience for customers, a reliable supply of quality public water can attract commerce and business. This can translate to more jobs for our area. Everyone wins with partnerships like these."

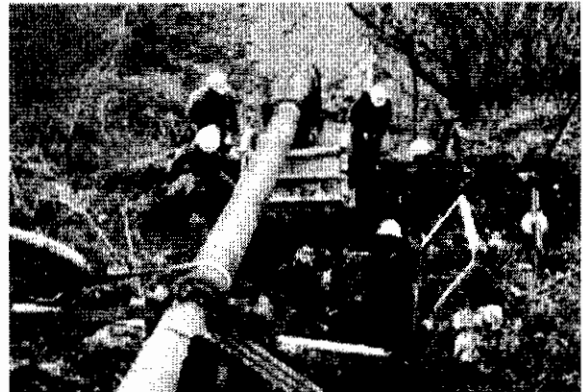
## Another American Success Story What flows up from Tennessee American Water improves quality of life on Signal Mountain

When a new resident near the mountain-top town of Walden's Ridge, Tenn., moved in a few years ago, he found several 55-gallon drums on his property. Wanting to dispose of the drums, he first dumped the liquid inside them onto the ground. This action, unknowingly, caused the wells of Walden's Ridge to become contaminated with tetrachloroethylene, a chemical often used in the dry cleaning process.

In addition to a contaminated water supply, the Walden's Ridge Utility District faced a treatment plant that needed costly upgrades to meet U.S. Environmental Protection

Agency standards. The district contacted the experts at Tennessee American Water for help. Today, after Tennessee American Water's installation of approximately 10,000 feet of 16-inch pipe, 7,000 feet of 12-inch pipe and two 700 horsepower pumps, the residents enjoy quality and reliable water service. The solution didn't come easily, but Tennessee American Water was up for the challenge.

The installation of the two 700 horsepower pumps was necessary due to geographical conditions. These pumps enabled water to be pushed



**Tennessee employees install pipe on Signal Mountain.**

approximately 1,700 feet vertically—and impressively—up the side of Signal Mountain at a force of 740 pounds per square inch, or psi. Part of the steel water main had to be clamped to the side of the mountain using restraints that were poured directly into the mountainside. Pipe rollers, another type of restraint, were utilized to allow movement in the pipe. Crews relied a 200-ton

*Continued on page 7*

## Operational excellence

# Hats off to employees who helped plants achieve EPA recognition

Between 2005 and January 2006, American Water surface water treatment plant operators and other personnel at a total of 19 Pennsylvania plants and one Tennessee plant were honored for successfully maintaining the U.S. Environmental Protection Agency's Partnership for Safe Water for five consecutive years.

The Partnership for Safe water is a national volunteer initiative developed by the U.S. EPA and other water organizations representing water suppliers striving to provide their communities with drinking water quality that surpasses the required federal standards. Maintaining the Directors Award for five consecutive years is an honor achieved by only 37 water utilities across the country.

Achieving and maintaining this award requires teamwork, collective vigilance and the pooling of operational knowledge to avert environmental and man-made challenges that could impact source water quality.

In their own words, several plant operators and other personnel offer the following thoughts on what achieving this award means to them.

"Meeting the Partnership goals means to me...we aim to learn from

challenges on the job so that we can turn challenges into opportunities to enhance our strong skills at providing top-rate, reliable water for all customers."—**Roger Galilei**, *operations supervisor, Hays Mine water treatment plant, Pittsburgh, Pa.*

"The Partnership for Safe Water means that customers are getting what they deserve—the best. The Partnership raises the bar higher on performance; we want to stay ahead of issues and concerns because we

know that the Partnership status we work so hard for can be lost if we don't meet the stringent requirements for water quality above what the government expects."—**Jan**

**Hart**, *plant operator, Hays Mine water treatment plant, Pittsburgh, Pa.*

"Hearing that the Fallbrook plant achieved the Partnership for Safe Water award was gratifying news. A primary goal of plant operators, like me, is to produce the best-quality water to our customers. The Partnership for Safe Water provides a tangible measure of our performance. It is a great feeling to be a part of a team that works together under all circumstances to realize a common goal."—**Marty Boyer**, *plant operator, Fallbrook/ Brownell Plants, Carbondale, Pa.*

## In a legislator's words

In his words, Pennsylvania Representative David Levdansky (D-39), who attended the Partnership award event at the Aldrich, plant in January said, "The watershed in which the Aldrich plant is located has historically been one of the most polluted in the state.

"The effects of acid mine drainage and industrial pollution of years past take a toll on the Monongahela River. Geography also presents challenges. A heavy rainstorm in West Virginia can disturb raw water quality on the Mon River in Pittsburgh.

"That Pennsylvania American Water's Aldrich treatment plant personnel can consistently produce high-quality water to meet the Partnership for Safe Water standards—even in the face of challenges—says much about the workforce and the company. Both are committed to quality despite environmental or man-made circumstances that impact the watershed.

"In short, the Partnership sets us apart from other water utilities, makes us the best at what we do and brings us together as a team." —**Dan Olejnik**, *plant operator, Ceasetown Water Treatment Plant, Hunlock Creek, Pa.*

"Tennessee American Water's participation in the Partnership for Safe Water is one of many examples of our employee's professionalism and dedication to provide superb quality water to our community." —**Susan Holmes**, *water quality supervisor, Chattanooga, Tenn.*



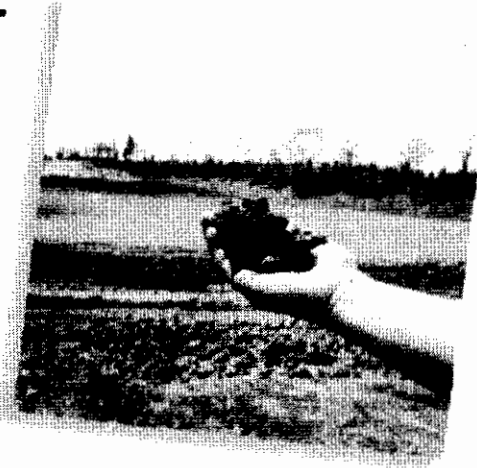
## Pennsylvania participates in water treatment residuals research

Pennsylvania American Water recently worked with the American Water Works Research Foundation (AWWARF) and other entities in researching water treatment residuals and their ability to bind phosphorous resulting from agricultural fertilizer use and farm animal waste. Historic concerns surrounding the impact of phosphorus from agricultural lands on source water quality spurred the research. The phosphorous impact is a large concern in a significant portion of Pennsylvania's service territory, which contributes surface water runoff to the Chesapeake Bay.

The project's goal was to illustrate the unique ability of water treatment residuals to bind phosphorus in soil. The residuals could be used to improve phosphorus management on agricultural lands by controlling the release of phosphorus through soil binding. Beneficial use could then be realized by using water treatment residuals to reduce soluble phosphorus runoff from agricultural land and allow for reductions in phosphorus pollution.

To investigate the beneficial use of water treatment residuals to control non-point source phosphorus runoff and protect surface water quality, the research program incorporated the use of varying coagulants (aluminum and iron-based) and both liquid and de-watered residuals. The residuals were utilized at different loading rates and were applied to the soil in different manners. All of the research indicated that each water treatment residual has unique chemical characteristics that determine its ability to react with and bind phosphorus.

"The outcome of this research has led to meetings with several regulatory agencies in an effort to list the water treatment residuals from the American Water plants as a best management practice in the Chesapeake Bay Strategy," said Southeast Region Residuals Supervisor **Carla Suszkowski**. "We are working with the agencies to perform additional analytical testing on our water



treatment residuals and to apply our residuals on a test plot. The outcome of this work could lead to unprecedented marketability for the residuals generated as a result of our water treatment processes."

### Tennessee helps mountain-top community

Continued from page 5

crane sitting on top of the bluff to pull the main up the side of the mountain, and the pre-manufactured pump station, which sits at the bottom of the mountain, required a 300-ton crane for its unloading and installation on its pad.

Since February, Tennessee American Water has been supplying 650,000 - 800,000 gallons of water per day to the Walden's Ridge Utility District. The project has the capacity of delivering 2.2 million gallons a day and can be expanded to four million gallons per day in the future. Walden's Ridge, only a 30-minute drive from downtown Chattanooga, may now experience an upswing in growth because of the availability of clean, reliable water—a daily essential—thanks to Tennessee American Water.



### A little southeast TRIVIA

*Each edition of Splash will include a trivia question about the Southeast Region. To participate, simply e-mail or forward (by e-mail or hard copy) your answer – along with your name and contact information – to your local communicator by April 7 (see listing on front page). If more than one person submits the correct answer, a drawing will be held to determine the winner. The winner will receive a prize package of state-themed items!*

#### ***This edition's question:***

Only Alaska has more miles of rivers and streams than which state, located in American Water's Southeast Region?

# Got (safe) milk?

## ***Pennsylvania American Water participates in Penn State milk safety study***

A milk safety study, funded by a USDA Milk Safety Grant was recently awarded to the Penn State University, College of Agricultural Sciences. Pennsylvania American Water was invited to participate in the study.

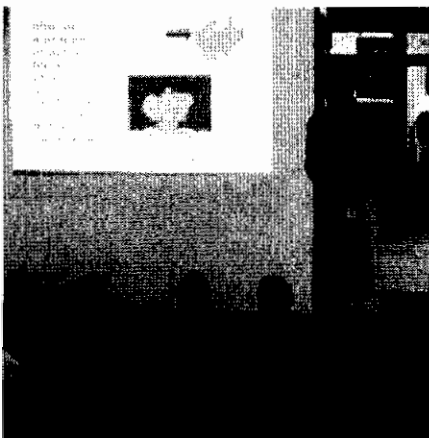
Research Assistant Mary Jo Langston explained, "This research project is examining perceptions of risks associated with the production and marketing of milk and milk products within Pennsylvania. The risks include accidental and intentional microbial and chemical contamination—all of which have occurred at one time or another in the U.S. We also examine perceptions of possible bioterrorism acts that might affect milk safety.

"Individual interviews were conducted to learn whether these types of contaminations are seen as probable and what would be an appropriate individual, community and agency response to such an event. In addition to consumers, we interviewed those involved in milk production (from cow to carton), and in its distribution and sale. Another group of interviewees included those representing community agencies or authorities who would be essential in any response to such a contamination event," explained Langston.

Pennsylvania American Water was invited to participate because it supplies water to Snyder Dairy and Colteryahn Dairy, located in suburban Pittsburgh. Western Pennsylvania

Water Quality Manager **Ron Bargiel** participated in the survey. "It was definitely enlightening," said Bargiel. "I hadn't really given a lot of thought as to how dairy products could be deliberately contaminated, but now I'm more aware. I was glad to participate in the study on behalf of the company."

Langston explained that it is hoped that the research project will produce several case studies that highlight how milk is currently safeguarded, how community infrastructure and hazard containment units would be able to respond and how government and professional organizations help bring all players in the food chain up to date on the latest hazard control procedures.



**Kentucky American Water's Rick Witherite was one of many employees who volunteered for the event.**

## **Explor-A-Smile teaches kids about dental health**

Imagine trying to teach more than 1,600 first graders about dental health. That's what some Kentucky American Water employees, along with dozens of dental health professionals, got to do in February as part of Explor-A-Smile at Explorium of Lexington, a local children's museum.

Explor-a-Smile gave first graders from across central and eastern Kentucky a chance to learn about proper dental health through hands-on activities, presentations and free dental health screenings.

Kentucky American Water's primary goal was to teach students about fluoride and how it can help to strengthen teeth and fight cavities.

Water utilities, such as Kentucky American Water, often add fluoride to drinking water as part of the treatment process. This action is a community-based decision.

Kentucky American Water was a major sponsor of this event, which coincided with National Dental Health Week.





## Regional **FLAVOR**

### Iced groundhog

Pennsylvania American Water was the signature sponsor of the Groundhog Day Ice Carving competition on Feb. 1 and 2 in Barclay Square in Punxsutawney, Pa.—home of the world-famous weather prognosticator Punxsutawney Phil and one of the many western Pennsylvania communities served by Pennsylvania American Water.

Ice-carving Artist Wayne Demoranville came all the way from Boston to Punxy to showcase his talents in ice. He was assisted by local ice carver Rick Boni from Ridgeway, Pa.

Sculptures included a carving of an Inner Circle member (the individuals entrusted with the handling of

Punxsutawney Phil) with a signature top hat, holding Phil. Four smaller carvings included some of Phil's wildlife friends, including a Husky dog. The sculptures were enjoyed by the estimated crowd of 12,000-plus people who attended the Groundhog Day 2006 festivities.

In addition to sponsoring the ice carving event, Pennsylvania American Water provided bottled water for a media mixer at the Indiana University of Pennsylvania Culinary School in Punxsutawney. Media from all over the country, as well as from Pittsburgh, Harrisburg and the local area enjoyed the Pennsylvania American Water refreshment—in liquid form! A reporter from Brazil was present, too.



Famous Punxy Phil, with one of his Inner Circle, was captured in ice at Groundhog Day 2006.

### Meter readers

Continued from page 1

"There was no written documentation pertaining to meter reading," Shott said, "and that was a big concern for the company and those who work directly with meter readers across American Water. So when Suzanne Noll and I came on board, that became one of our major projects."

Noll and Shott said they didn't know how the manual would be received and decided to put it to the test in Kentucky with all meter readers there, whether new or seasoned, going through the four-hour training session.

"Having experienced people in the room along with new employees gave everyone a chance to learn some tips of the trade and gave new hires a chance to learn even more about the job they do," Noll said.

Noll and Shott also conducted a "Train-the-Trainers" session while in Lexington, giving future instructors a chance to ask questions and equip themselves with the tools needed to conduct the same training.

Future meter reader training sessions are scheduled for Pennsylvania, Virginia and West Virginia.

### Focus on diversity Special March dates

#### Independence Days

- 1 - Samiljol (South Korea)
- 3 - Throne Day (Morocco)
- 15 - Memorial Day for the 1848 Revolution & War of Independence (Hungary)
- 20 - Independence Day (Tunisia)
- 25 - Independence Day (Greece)
- 26 - Swadhinata Dibash (Bangladesh)

#### Religious and Cultural Holidays

- 1 - Rosa Parks Day in the U.S.
- 1 - St. David's Day (Wales)
- 8 - International Working Women's Day
- 17 - St. Patrick's Day
- 20 - Noruz – New Year (Iran)
- 21 - President Benito Juarez' Birthday (Mexico)
- 21 - International Day for the Elimination of Racial Discrimination (U.N.)
- 22 - Emancipation Day (Puerto Rico)



## Celebrating service

**Congratulations to the following employees who recently celebrated milestone service anniversaries with the company.**

NAME	YEARS	LOCATION
<b>JANUARY 2006</b>		
Terry L. Cordell	40	Chattanooga, Tenn.
Alfred L. Reeder	40	McMurray, Pa.
Gary R. Crossman	35	Royersford, Pa.
Deborah A. Osowski	30	Wilkes-Barre, Pa.
Richard M. Button	25	Susquehanna, Pa.
Raymond J. Delo, Jr.	25	Hershey, Pa.
Michael V. DiLeo	25	Wilkes-Barre, Pa.
John G. Golden	25	Wilkes-Barre, Pa.
Alan S. Picketts	25	Wilkes-Barre, Pa.
Kirk E. Saunders	25	Alexandria, Pa.
Thomas A. Simpson	25	Wilkes-Barre, Pa.
James J. Tucker	25	Wilkes-Barre, Pa.
David L. Carlson	20	Kane, Pa.
Douglas J. DeArment	20	Wyomissing, Pa.
Charles A. Jones	20	Phillipsburg, Pa.
Todd M. Troup	20	Frackville, Pa.
David E. Werner	20	Wyomissing, Pa.
Paul D. Burns	15	Huntington, W.Va.
Gail L. Hart	15	Wilkes-Barre, Pa.
Brian J. Hassinger	15	Hershey, Pa.
Nancy Jo Smeltz	10	Mechanicsburg, Pa.
Robert E. Weiford II	10	Kanawha, W.Va.
<b>FEBRUARY 2006</b>		
Ira C. Smith	35	Berwick/Frackville, Pa.
Carolyn Buckhannon	30	Huntington, W.Va.
Phillip Craig Frame	25	Gassaway, W.Va.
John P. Yukevich	25	McMurray, Pa.
Frank J. Wall Jr.	20	Pittsburgh, Pa.
Bert H. Barker	15	Huntington, W.Va.
Edward L. Johnson	15	Chattanooga, Tenn.
Martin A. Samek	15	Pittsburgh, Pa.
Robert Lee Shockley	15	Huntington, W.Va.
Cynthia A. Steed	15	Chattanooga, Tenn.
Michael D. Hodgdon	10	Yardley, Pa.
Pamela J. Riley	10	Mechanicsburg, Pa.
Thomas J. Walck	10	Lehman Pike, Pa.
Ronald F. Dudash	5	Alexandria, Va.

### New focus on reducing water loss

Continued from page 1

that our company can stay ahead of the game and remain a water industry leader. Other water utilities, domestically and abroad, have embraced or are embracing NRW programs.

The Southeast Region has more water losses than any region in the company (27 percent). The regional management team has set a goal to reduce water losses by 10 percent, or four billion gallons, in 2006. To achieve this goal, the following districts will need to reduce their losses by about 14 percent: Pittsburgh, Pa.; Wilkes-Barre, Pa.; Charleston, W. Va.; Chattanooga, Tenn.; Lexington, Ky; and Mechanicsburg, Pa. The remaining districts will need to achieve a seven percent drop in NRW this year.

Everyone can assist in helping us achieve this goal, even if you are not a member of the leak detection or survey crews. Let customers who report leaks know that you appreciate their call; speak up if you even suspect a possible billing error, meter errors or other issue that could contribute to NRW, and spread the word. Working together, we can achieve this goal for 2006.

### Employees make the difference

Regional Improvement Network teams throughout the region concluded their meetings earlier this month and have action plans suggesting ways to enhance their respective locations. Members of the Change Partner Network continue to meet regularly to discuss issues in the business and communicate to their local colleagues. Throughout the region, employees are taking steps to make American Water an even better place to work. In future issues of Splash, watch for occasional stories about the various ways employees in our region are making a difference.



# team:americanwater



**Spotlight Security:**  
Our protectors p. 2



**Review This year's accomplishments**  
p. 3



**Recognition Making headlines** p. 4

A great "business as usual"



Although RWE's decision to divest American Water and Thames Water may raise questions, one thing all employees should be clear on is that American Water is a great company with great employees.

I am committed to inform you of any significant developments as soon as they can be shared with you.

I urge you to remain focused on providing superior service and value to our customers.

It's "business as usual" for us during the sale process and that means doing our best and improving what we can to meet the standards we have set for ourselves and growing customer expectations.

On this page, RWE CEO Harry Roels explains more about the background to the sale process. I also hope you will read all the stories about our business with pride. They express much of what makes American Water great and what we must continue.

Jeremy Pelzer  
President & CEO

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## RWE CEO shares perspectives of planned ownership transfer

Since RWE's November 4 announcement of the decision to divest the water business in North America and the UK, RWE CEO Harry Roels has communicated publicly about this important strategic development. Harry Roels shares his views with American Water employees.

About the decision to divest the Water Division in North America and the UK. "First, let me begin by saying that American Water and RWE Thames Water are reputable and profitable companies. The divestment decision has been driven by a change in RWE's overall strategy.

"RWE's strategy is to become an even stronger leading energy company within our core European markets. By focusing on a limited number of regions, we will be able to fully utilize our fundamental skills in markets with good growth and long-term value-creating potential in Europe," Harry explained. "RWE's flexibility to capitalize on these other opportunities would be in the future constrained by the significant capital demands of the water business."

Why did you get into the water business?

"For a long time, RWE pursued the goal of becoming a global player in the water business. However, we have determined that the synergies between American Water and the RWE Group as a whole have been very limited. The water business is actually more regional than global," stated Harry.

"The water business in the US has significant potential and further privatizations in the future should create opportunities for growth. As a market leader and stand-alone company, American Water could and should benefit from these developments," Harry added.

What happens now?

Regarding the planned ownership transfer, Harry said the specific method of sale is yet to be determined. "We know American Water possesses the value and reputation to attract long-term financial investors. Moreover, having al-



"The water business in the US has significant potential and further privatizations in the future should create opportunities for growth. As a market leader and stand-alone company, American Water could and should benefit from these developments."

ready been a publicly traded company, an initial public offering is a viable option. Over the near future, our team of financial and other experts will assess the company, including its immediate and long-term prospects, and will then recommend as to how we should proceed.

"Until then, we must maintain the integrity and service that makes American Water such a highly regarded company. While the specific outcome is not yet certain, no one, at any level, should lose sight of the fact that our basic purpose has never changed. We must continue to do our best to meet the expectations of all stakeholders -- most importantly our customers."

### An inside look...

#### At the ownership transition process

This is the first in a series of briefings to review some of the steps involved in the sale process of American Water.

#### IPO

With RWE's announcement to sell American Water, one of the options identified is an IPO, or initial public offering.

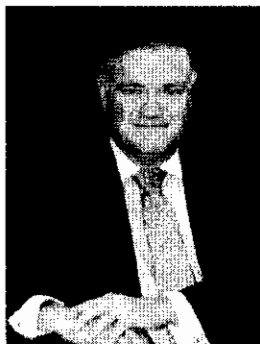
#### What does that mean?

When a business participates in an IPO, it begins the process to transform from a business owned by one or several individuals or companies into a business owned by many. It involves the offering of partial or total ownership of the company to the public through the sale of shares.

When going through an IPO, the company sponsoring the IPO can sell stock to the public under an offering registered with the US Securities and Exchange Commission (SEC). Usually an IPO involves a company selling its own shares; in this case, RWE will sell American Water shares that RWE already owns.

A team of experts in mergers, acquisitions, finance and capital markets has been assembled to determine if the company will be sold through either an IPO or to a group of financial investors.

## George MacKenzie named Interim President & CEO



American Water Board member **George MacKenzie** will become the company's Interim President & CEO as of January 1, 2006, reporting directly to RWE CEO **Harry Roels**. RWE made the announcement on December 15. In addition to **Jeremy Pelzer** continuing as a non-executive Chairman of American Water.

George has been a member of the American Water Board of Directors since August 2003 and Chair of the Audit Committee of the Board since February 2004. Jeremy stated, "During his tenure on the Board, I have come to admire George's thoughtful and considered approach as well as the deep and varied business experience he brings to the Board. I am grateful that George has agreed to accept this important role."

Harry added, "George has the experience and ability to lead American Water during our transition to new ownership. His

A member of the American Water Board of Directors since August 2003, **George MacKenzie** will become Interim President & CEO as of January 1.

knowledge of the company and his leadership qualities position him well to carry forward the strengths that have made the company the reputable market leader it is today."

In early 2005, George served as Interim CEO for C&D Technologies, Inc., where he remains a Director. George previously served as Vice Chairman of the Board and Chief Financial Officer of Hercules, Inc., a \$2 billion global manufacturer of chemical specialties with nearly 5,000 employees. During his 22-year career with Hercules, he served in a variety of senior management roles including President of the Chemical Specialty Division.

In addition to being a Director of American Water and C&D Technologies, George is a Director of Central Vermont Public Service Corporation and Safeguard Scientifics, Inc. He also serves on the Board of Trustees of the Medical Center of Delaware and is a member of the Investment Committee at the University of Delaware.

George and his wife Carol live in Chadds Ford, Pennsylvania. They have two grown sons who live in London and Denver.

# Protecting us from harm

The low profile of our Security team is testament to their vigilant pursuit to protect our facilities and systems. Here Bruce Larson, Security Director, describes the key role they play at American Water.

**team: What is involved in the Security function of the business?**

BL: We're responsible for the physical security of all personnel, facilities and information systems across American Water.

We support the local and regional operations in physical security by putting in place consistent and effective security controls such as fences, locks and alarms to detect intrusion. For information security, we support the business by delivering the appropriate level of security controls and we monitor a large array of electronic safeguards such as firewalls.

States on the security of critical infrastructure across the US such as electrical power, telecommunications, transportation and emergency services.

**team: Who makes up your team?**

BL: Performing the real work with me on the corporate security team in Voorhees are four professional IT security architects and analysts. We support the employees across the continent dedicated to Operational Risk Management and Security. These are the people who help our team get the job done.

The disciplines of Health, Safety, Security, Information Security and Event Management are grouped together at American Water. They are all integrated under the direction of Bill Komianos, Director of Operational Risk Management.



Guarding their event monitors, the Security team gathers at their home base in the Voorhees Business Center. They are, from left, Mac Sobolewski, Mike Firtenberg, Adam Kerr, Bill Komianos, Bruce Larson, Barbara McAleer and Bob Schreiber.

These sensors generate a significant amount of data and the team analyzes this data for security breaches and network events.

We manage and monitor all of these platforms and systems to ensure that American Water can respond quickly and effectively to any security breach and that any risk to the business would be minimized.

**team: What are your background and current professional affiliations?**

BL: I have seven years experience in private industry security following a related 13-year military and federal government career. I have served as a charter member on the Water Sector Coordinating Council, which steers the course for the US Water Industry on security matters and reports to the Department of Homeland Security. I have also supported Marilyn Ware, American Water Chairman Emerita, in her work with the National Infrastructure Advisory Council in advising the President of the United

**team: What are your toughest challenges?**

BL: Supporting and protecting so many locations in a large geographic area is our toughest challenge. The most critical aspects involve protecting the physical and IT systems in the field that directly impact the treatment and distribution of water to our customers. We also secure the core business processes and systems that support our customer services and call centers.

**team: What is the most important thing employees need to know about your team and the contribution they make to the organization?**

BL: We consider complete success to be the absence of any security breaches or impact to the business from incidents such as computer viruses and worms not always visible to employees. In 2006 we plan to roll out education and awareness programs to teach our employees how to make American Water more secure.

# Breaking the record

## Investing in America's communities through United Way

Employees at American Water business locations across the country have raised a combined \$513,000 for our local United Way organizations - setting a new record for American Water. The total, which includes corporate and employee contributions, is a more than \$118,300 increase above last year's campaign totals.



"United Way does touch lives in the communities we serve, and our employees' contributions will make a difference," said Jai Corrado, Director, Corporate



In addition to monetary support, employees across the company also donated their time to United Way "Day of Caring" activities to benefit various charitable organizations. Here, employees in Pennsylvania lend a helping hand to spruce up a day camp for children with cerebral palsy.

Responsibility. "A special thanks to the more than 1,475 employees who participated this year, including those who contributed to and coordinated the local campaigns."

Some of the company's larger campaign results were in St. Louis

County and St. Charles, MO, Voorhees, NJ and Chattanooga, TN. Our campaigns in Streator, IL, Noblesville, IN and Warrensburg, MO resulted in 100 percent employee participation.

Terri Hanneke and Keenan Bull coordinated the campaign in St. Louis County and St.

"We are especially proud of how committed American Water employees are to strengthening their communities. Our employees not only care about their neighbors and the environment, they continually demonstrate their good will through action and leadership."

— Jai Corrado  
Director, Corporate Responsibility

Charles, MO. As part of their campaign, they held a barbeque. "The barbeque was a great success. It gave employees an opportunity to get together and raise money for a good cause," said

Terri. "We even donated the left over food to St. Patrick's Homeless Shelter, a United Way supported agency."

Other company fundraisers included silent auctions, pizza parties, raffle drawings, ice cream socials and dress-down days.

## Knowledge Sharing goes global

# The power of Service First

That power drew RWE Netzservice project managers to visit the US recently. They came here to learn about American Water's Service First workforce management tool and "were

very impressed with the size, scope and the process standardization as a result of the project. Most importantly, they were impressed with the people who made it a success," said Steve



Zordich, Service First Project Manager.

Rhein-Ruhr Netzservice serves 2.6 million electric and 350,000 gas customers in Western Germany. Our Service First program has helped representatives of Netzservice better understand how to modify their existing emergency management tool, used primarily to manage power supply restoration during service interruptions, to also function as a workforce management tool.

Standing, from left, RWE Netzservice's Dr. Markus Zdrallek, Carsten Lagemann and Oliver Sauerbach get a closer look at a Service First "toughbook" demonstrated by Field Service Representative John Hoffman during their visit to the Northeast Region's Field Resource Coordination Center in Bellemead, NJ.

# Celebrating 2005

As we begin a new year, *team:americanwater* is happy to highlight many of our company achievements during 2005. These are a tribute to the men and women of American Water.

## Strategy

- A **Growth Strategy** built on market research is already yielding a high volume of client contacts. Using unique sales and marketing techniques, the project will expand our existing business.
- A new and **improved company Internet site** was launched with a more consistent and contemporary look and convenient information services.
- We successfully launched an **environmental grant program** in Pennsylvania to support innovative community projects aimed at source water and watershed protection.
- ▼ A project was initiated to assess all routine procedures and **implement best practices** across the business.



▲ Employees remained diligent and kept their focus on service delivery as we thwarted condemnation attempts in California, Kentucky and Illinois.

## Culture

- ▶ Our **Change Partner Networks** received **RWE group-wide recognition** for encouraging employee discussion about current business issues.
- **The Americas Intranet** was enhanced to offer employees the latest company news and information.
- **Navigate** was introduced to highlight the overall value of your relationship with American Water.
- Employee contributions with matching \$50,000 donations from RWE Thames Water and American Water, totaled more than **\$180,000** to the **American Red Cross Hurricane Relief Fund**.



- American Water and its employees generously donated **\$95,000** to the **American Red Cross** tsunami relief efforts.
- Our first company **Diversity Officer** was appointed to integrate diversity into the business.
- American Water received the **National Association of Water Companies' Innovation award** for our Splash Points employee communication program.
- ▶ Training and development programs for all employees were expanded under the "**Develop to Deliver**" program.

## Performance

- Independent surveys in virtually all states served showed a **91 percent satisfaction rate among our customers**.
- We opened our new Customer Service Center in **Pensacola, Florida**.
- ▶ Phase I of **Service First** was completed in all regions, bringing mobile technology to hundreds of employees and improved service to customers.
- We unveiled the **largest ground-mounted solar energy project** in New Jersey.
- American Water employees worked diligently to **maintain and restore service in Louisiana and Texas in record time** following the havoc caused by unprecedented Hurricanes Katrina and Rita.



- ▶ Our **Knowledge Sharing** programs broadened so that more employees could learn about each other's roles and gain new appreciation for each other's challenges.
- ▶ According to our Environmental Department, American Water achieved an **environmental compliance rate greater than 99 percent** considering the enormous number of samples taken during the year for water and wastewater.



- American Water's health and safety performance greatly improved with a **36 percent reduction in lost workday injuries** and illnesses achieved through November and a corresponding reduction in insurance claims.
- This year, 83 American Water treatment plants **earned USEPA's Partnership for Safe Water status**, more than a third of the total number of plants to have reached this distinction.
- American Water received a **2005 Public-Private Partnership Award from the National Council for Public-Private Partnerships** for our work with the City of Buffalo, NY.
- The American Red Cross presented American Water with its Chairman's Award, given each year to a company that strongly supports the humanitarian work of the Red Cross.

## Growth

- ▶ Work progressed on **Tampa Bay Water** where we are rebuilding their 25 million-gallon-per-day seawater desalination plant and will manage the plant for the next 20 years.
- In **Sioux City, Iowa**, work began on our \$114 million project to expand the wastewater facility and operate it for the next 20 years.
- **Phoenix, Arizona's Lake Pleasant Water Treatment Plant project**, part of the largest DBO water project in North America, reached the half way point. The project includes a \$227 million plant to be followed by a \$109 million operating contract.



- ▶ **Enterprises Group** more aggressively pioneered and contracted products and services. In fact, Homeowner Services was recognized for being the fastest growing business within RWE and launched its new LineSaver program for municipalities. Applied Water Management received national acclaim for on-site water recycling and Military Services grew on several expanding bases.

# Across the Americas Region

The citizens of Monterey County served by California American Water Company defeated a measure that would have enabled the Monterey Peninsula Water Management District to spend up to \$500,000 to investigate the cost and process to condemn our company's system. The unsuccessful measure would have also allowed the District to recover that cost in a surcharge to our water customers.

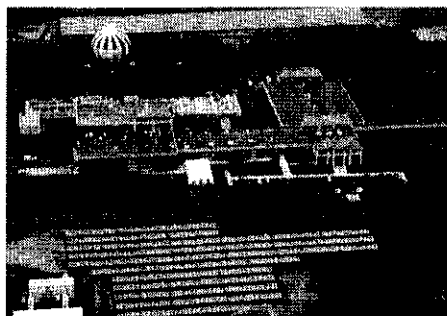
The measure was defeated by a 63 percent vote. Regional President **Paul Townsley** said, "The fact so many local groups rose to our defense is a testament to the relationships our company has built over the years, and also to the extra work **Steve Leonard** and **Catherine Bowle** and others have done recently in community outreach on the Coastal Water Project, our water supply solution for the Peninsula, conservation and other issues."

### Central Region

**Weathering the storm**  
In early November, Indiana American Water's Newburgh operations weathered the worst tornado - which brought 150 mile per hour winds - to hit the state in 30 years. Operations Superintendent **Darrel Heister** and his team were ready with advanced preparation and round-the-clock coverage. By



using portable generators to combat a lengthy power outage and continually monitoring storage tank levels, the team was able to respond to all related emergencies and maintain the community's water service throughout the crisis.



### Northeast Region

**ENERGY STAR**  
New Jersey American Water hosted the Mid-Atlantic ENERGY STAR meeting in November. ENERGY STAR is a government-sponsored program helping businesses and individuals protect the environment through energy efficiency. Through its partnerships with more than 8,000 private and public sector organizations, ENERGY STAR delivers the technical information and tools that organizations and consumers need to choose energy-efficient solutions and best management practices.

The meeting was attended by about 75 industry leaders from the region. **Mike Wolan**, Senior Project Manager, presented information on energy and water conservation and

# People in the news



## Expertise

**John Young**, Chief Operating Officer, was recently reappointed by the United States Environmental Protection Agency (EPA) to the National Drinking Water Advisory Council (NDWAC). For John's second term, he joins other experts in the drinking water community to gather and assess information and provide advice to the EPA on policies related to water quality and safety, as well as the development of drinking water regulations.



### Southeast Region

**Protecting watersheds**

West Virginia American Water is working with the Little Sandy Creek Watershed group, West Virginia Department of Environmental Protection and the West Virginia Department of Health to focus on environmental improvements to Little Sandy Creek and the habitat surrounding the waterway. It is one of several tributaries to the Elk River, West Virginia American Water's source of supply for the Kanawha Valley Water Treatment Plant.

the Region's ground-mounted solar energy system.

### Kudos in Canada

Employees were recently acknowledged by the Township of Perth East, Ontario, for their work to improve the water system there. American Water began operating the township's water system a year ago. During recent inspections, the company was recognized for its high level of professionalism and bringing the system into regulatory compliance.

## Contacts

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For the latest developments and announcements, visit <http://americasintranet.thameswater.co.uk/index.htm>.

If you have a story idea or comment, please contact External Affairs at (856) 309-4802 or e-mail AW Internal Communications.

## Walt & Friends



### Danger lurks in various e-mail attachments.

More and more computer viruses can be found in e-mail attachments - an ideal hiding place. Be careful intercepting e-mails, even if they come from a trustworthy

source. Make sure the contents of the message and the attachment are appropriate for that sender. Be especially careful with strange e-mail attachments (e.g. foreign languages or slang titles). File names with unusual endings like ".hlp," ".mdb," ".url," etc.,

when opened may unleash malicious programs on your computer. The same applies to files compressed with the use of "WinZip." So, be wary of potentially dangerous attachments.

Contact: [walt@amwater.com](mailto:walt@amwater.com)

## IT'S ABOUT TIME!

Introducing IT'S ABOUT TIME, a campaign to help us share, learn and use best practices in e-mail communication. The goal is to promote and build time-saving skills that allow us to focus on what really counts: achieving business objectives and delivering on our promise to customers.

### IT'S ABOUT TIME e-mail tips

- #1 Always include a subject line and, if possible, indicate your intent such as "Reply Needed," "FYI" or "Urgent."
- #2 Don't write an epic. Messages should be concise.
- #3 Use "Reply All" and mailing groups with caution. Only send messages to people who need the information.

Look for the IT'S ABOUT TIME series to help you improve your daily work life and our business results: Yes, effective e-mail use can positively impact results (just as ineffective use of e-mail can waste our time and resources). It's about keeping it short, fast and focused. IT'S ABOUT TIME!

### Correction:

In the November issue of team: an article regarding Biodiversity Included Incorrect contact information. The correct information is as follows:

Contact: Dr. Peter Spillett, Director, Environmental Projects at (831) 646-3264 or [peter.spillett@amwater.com](mailto:peter.spillett@amwater.com)

The Executive Management Team thanks you for your efforts throughout the year and offers you their best wishes for a happy and successful New Year.

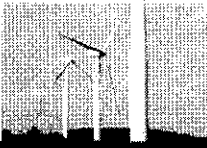


American Water®

# team:americanwater



**Introducing Our Interim CEO** p. 2

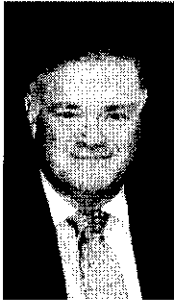


**Responsibility Keeping it green** p. 3



**Headlines News across our regions** p. 4

## Our core business



Over the last couple of years I've become familiar with this business and I'm really looking forward to being more directly involved. I have appreciated Jeremy Peizer's friendship and leadership.

As we transition to new ownership, it becomes even more important to remember our core business – to provide reliable and high-quality service to our customers. It sounds simple, but I know it is a challenging job. I also know our employees are among the best in the business and they are up to the task. Each of us needs to perform to the best of our ability. Over the next few months, you're going to see me and hear from me often. I look forward to meeting as many of you as I can, and to working with you to continue the great tradition of American Water service.

Sincerely,

*G. MacKenzie*

George MacKenzie  
Interim President & CEO

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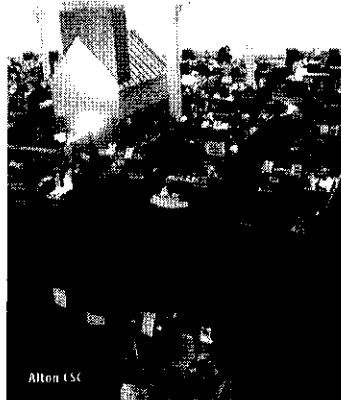
# Focusing on the basics

## Customer Service Centers improve performance

"In recent months, we have brought our performance above required service levels," VP of Customer Services Glenn Milton reports. At American Water our service level goal is to answer 80 percent of all calls within 30 seconds or five rings. Glenn noted that service levels rose to 85 percent in November and December and the goal of the entire team is to sustain performance at or above 80 percent.

"We experienced lower levels earlier in the year when technological issues and collection efforts caused a much greater than expected call volume in addition to longer call handle times. We were also impacted by unexpected call pattern changes and extensive recruiting and training cycles. Regardless, service levels are going in the right direction and we're all very happy about that," he added.

Our CSCs answer, on average, 333,226 calls per month or nearly 4 million calls per year. Last year, however, the calls coming into the centers skyrocketed. "In fact, our CSCs answered a million more calls than anticipated in 2005," Glenn notes.



Alton CSC

### The survey says...

In a recent survey of customers served by our Customer Service Centers, 87 percent of our customers rated their overall satisfaction experience "good to excellent." When compared to other organizations they may have contacted, 80 percent of our customers said they experienced "the same or better service."

"I am certain we have the capability to be a first class call center, however, it will take a great deal of focus and effort," CEO John Young said. "Recent performance improvements demonstrate we're up to the challenge."

### One-call success

Another accomplishment for the CSCs involves a major industry trend regarding one call resolution, or succeeding at resolving the customer's reason for

*continued on page 3*



Pensacola CSC

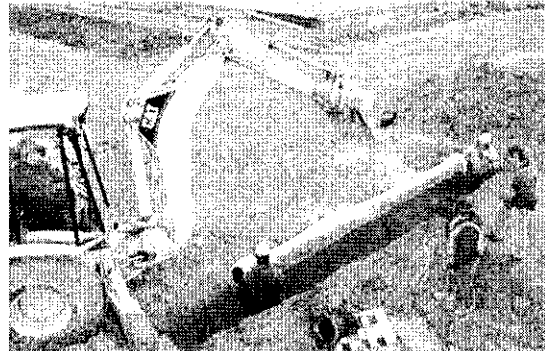
# Putting our best practices forward

Employees across the company are focused on implementing best practices to improve the quality of service we provide our customers. One example is a standardized Cross Connection Control Program, which is establishing consistent requirements for customer service connections to help safeguard our networks and supplies.

In addition, standardized health and safety policies, and improved claim-handling practices have been adopted and a template for implementing all company-wide best practices has been established.

Even greater efficiencies are anticipated by improving the way we plan, design and construct our underground infrastructure investments and by using alternative chemicals to reduce the cost of treating water.

*continued on page 3*



Investment in our underground infrastructure is just one of the business practices we hope to improve. Employees are examining how we plan, design and implement projects such as these to achieve improved service and greater efficiencies.

## A close up look...

### at the ownership transition process

This is the second in a series of briefings to review some of the steps involved in the sale process of American Water.

### Regulatory commission approval process

The sale of any public utility involves approval by regulatory commissioners in some states. This process is one with which we at American Water are quite familiar.

The company will be expected to follow an approval process that is similar to what was required when American Water acquired NEI and Citizens water and wastewater utilities and for the acquisition of American Water by RWE.

Regulatory approval will be required in approximately 14 states.

In states where approval by the public service commission is not required, we will keep regulators informed about the transition to new ownership.

While each regulatory body has varied interests aligned with the needs of their state, a common concern will be to determine whether the sale will be in the best interests of the operating utility and its customers.

For American Water, the regulatory approval process for the sale will be managed by a team assembled for that purpose. The team includes SVP of Legal **Dietrich Firmhaber**, VP of Strategy and Regulation **Andrew Chapman**, VP of Regulatory Programs **Paul Foran** and Director of Regulatory Planning and Reporting **Tom McKittrick**.

# Introducing our Interim CEO: George MacKenzie

Stepping up to the plate until a new CEO is named, and during the transition to new ownership, George MacKenzie began last month as Interim CEO. As an incumbent member of the American Water Board of Directors, George is no stranger to the company. George agrees he will gain an entirely different perspective of American Water in his new role. He talked with *team*: recently about his appointment.

**team:** How do you view your responsibility as an Interim CEO?

**GM:** As a Board member, I have a general sense of duty and provide overall direction for the company, in particular, to the Audit Committee. Now my interests and leadership responsibilities will be directly involved with day-to-day company business. As a former CFO and Interim CEO of comparably sized companies, I look forward to again working with the people who truly are the company experts. It will be my pleasure to meet the men and women whose dedication and diligence make American Water a utility leader.

**team:** In your interim role, you're not only filling the top spot of a very dynamic company, but a very dynamic company that is for sale. What are your thoughts on leading a company of that standing?

**GM:** I understand this strategy change which has caused RWE to sell American Water and I also appreciate that there will be related business decisions that may change work plans as we have come to know them. My job will be to inspire the potential that is already there and provide added stability to the

management team. It has been said by others that American Water is a great company capable of even more success, and if I didn't believe that, I wouldn't have agreed to take on this new role.

**team:** Please share with us some of your expectations for American Water in going forward.

**GM:** It goes without saying that service to our customers remains of paramount importance. They are the reasons we exist. I plan to support all viable projects that help us raise our performance in all areas, particularly those that directly affect customers. I'm also adamant about reaching our 2006 profit objectives. Our potential is significant and we'll all benefit as American Water becomes more of a commercial enterprise.



## Personal profile: George MacKenzie

**Residence:** Chadds Ford, PA

**Family:** Married to wife, Carol; two sons George and Bruce live in London and Denver (respectively).

**Prior relationship to American Water:** Board member since 8/03

**Professional background:** Former Board Vice Chairman and CFO of Hercules, Inc., a \$2 billion global manufacturer of chemical specialties; 5,000 employees

### Affiliations:

- C&D Technologies Director (also, served as Interim CEO in early 2005)
- Central Vermont Public Service Corporation, Safeguard Scientifics and Traffic.com Director
- Medical Center of Delaware Trustee
- Member, Investment Committee at the University of Delaware
- Board Member, Quarryville Retirement Community and Westminster Seminary

**Alma Maters:** University of Delaware, Bachelor's of Science  
University of Chicago, Master's in Business Administration

**Interests:** Philadelphia team sports including the Flyers (ice hockey), Phillies (baseball), Eagles (football) and Sixers (basketball); Summer beach vacations and Colorado mountain vacations in the winter

## IT'S ABOUT TIME!

### Saving our system from "spam"

One of the biggest downsides of e-mail - at work and at home - is "spam" or "junk" e-mail. It can clog our inboxes, drive us crazy and choke our entire e-mail system. Unwanted mail places a huge and costly burden on our technology infrastructure. Here are a few tips on how you can help stop the spread of unnecessary e-mail at American Water.

- #1** Don't send junk e-mail. Take a critical look at whether you are ever guilty of sending junk e-mail. If so, stop.
- #2** Use "Reply All" and mailing groups sparingly. Only send messages to people who need the information.
- #3** Recognize pranks. If it says "forward to as many people as possible," the message is probably a hoax.
- #4** Resist forwarding "special thoughts" e-mail. You've seen these chain letters, which can get bigger and bigger and tax our mail servers. A smile and a kind word are more effective.

Following these few guidelines can help minimize our operating costs and keep the system working smoothly for productive business uses. And when that happens, we all benefit.

# CPN: Making a difference

Our Change Partner Network is escalating operational issues and proposing solutions, and senior leadership is responding. Developed initially to advocate bottom-up dialogue about business changes, Change Partners are doing much more than just opening up lines of communication with management and helping employees gain a better understanding of the business.

Take a look at just a few of the improvements that came about and can be attributed to Change Partners talking:

- Improved coordination between call centers and the field
- Computer kiosks in common areas
- Development of functional phone lists
- Service First system enhancements
- Increased effort in customer collections

One way for boosting awareness about the value of the Change Partner Network is to rotate members so that more employees can be involved in improving communications.

If you are interested in joining your Change Partner Network, contact Gary Dean at gary.dean@amwater.com or (856) 309-4687.

The Change Partner Network is made up of employees across all business units who meet regularly to learn about and discuss changes going on in the business. The network allows employees to take an active role in those changes by becoming involved and creating two-way communication with senior leadership.

## Your Point of View



**Bryan Allegretto**  
Stockperson, Northeast Region

"Since many employees do not have regular access to e-mail, Change Partners keep us informed regularly about what's going on in the business. It's a good way to find out information by asking questions anonymously or by hearing answers to questions that other employees have asked."



**Ben Lewis**  
Director of Network, Western Region

"The Change Partner Network allows our entire region to collaborate and share perspectives on everything from operational issues to company-wide news and concerns. We are so geographically widespread, that it is gratifying to have a way to reach a cross section of our people across our company and service areas. Our CPN representatives have really been able to help facilitate understanding of our changing business across the region."



**Vivien Tober**  
Senior Meter Reader, Western Region

"From what I learn on the Change Partner Network, it helps me to help others. It's all about communication and it's good to share and hear from employees from other parts of the region. Employees should be able to feel comfortable raising issues to management, and with the CPN, we're taking a big step in the right direction."



Corporate Responsibility

## Pennsylvania water treatment plant goes "green"



**American Water received a "Green Power" Award from the Citizens for Pennsylvania's Future in November for converting its Yardley Treatment Plant to wind power.**

The BMCD facility, which serves more than 12,000 customers, is now enrolled in PECO WIND, an environmentally friendly wind power option that generates electricity utilizing state-of-the-art windmills.

By doing so, the company has committed to operate its Yardley Water Treatment Plant with 100 percent pollution-free, wind-generated electricity. The commitment equals a total purchase of 1,603,200 kilowatt hours and is the environmental equivalent of planting more than 119,652 trees or not driving 1,526,037 miles each year.

"We have found that we are able to effectively run our treatment plant and maintain customer demands while saving precious resources," said **Jeff Chamberlain**, Production Superintendent for Pennsylvania American Water.

Contact: Jeff Chamberlain at (215) 493-9346 #11 or jchamber@amwater.com

State-of-the-art turbines, like the ones pictured here, produce the wind energy that powers our Yardley, PA, plant.

## American Water employees honored



Happily displaying the 2004-2005 Chairman's Award are, from left, Nick Rementov, Red Cross Executive Director, Jol Corrado and Harry J. Stokes, Red Cross Chapter Chairman.

"This is a tribute to the kindness and compassion displayed by American Water and its employees." That is how Corporate Responsibility Manager **Jol Corrado** described the most esteemed honor given to American Water by the American Red Cross. The Camden County, NJ, Chapter of the American Red Cross presented its 2004-2005 Chairman's Award to American Water at its Annual Dinner and Heroes Tribute held in December.

According to American Red Cross officials, the company received the honor for its outstanding contribution to the tsunami relief fund, as well as for its corporate response to assist those affected by the 2005 hurricane season.

"American Water raised nearly \$100,000 for the tsunami relief fund and over \$180,000 for the victims of the Gulf States hurricanes. The Red Cross Chairman's Award is presented each year to a company or group that has demonstrated outstanding support for and promotion of the humanitarian work of the Red Cross," a statement issued by the Camden County Red Cross Chapter said.

## Wetlands project attracts rare duck

### Partnership proves positive for the environment

Rare ducks last spotted in California in the '80s recently made their 21st century debut at the Stockton Wastewater Treatment Plant managed by OMI Thames Water. The plant's wetlands or deep water ponds are rich in nutrients and attracted a Harlequin duck.

The wetlands project is a result of a partnership between the city and the company to further process partially treated wastewater in an environmentally friendly manner. The new treatment process used here replaces a technology that was reliant on high levels of power and chemicals. The wetland process is a low-noise process and allows a natural ecosystem to develop.

"About 50 bird species call the wetlands home," says **Tony Stanbridge**, Assistant General Manager. "It's great when we get sightings of rare birds out there, which tells us we're moving in the right direction environmentally." Shallow zones and open mud flats provide feeding grounds for wading birds. Reed beds provide a habitat for reed birds and marshland insects.

The wetlands are approximately one mile in length. The two wetland areas run side by side and total 140 acres.

"The wetlands provide not only additional open water for an already thriving duck population on our other treatment ponds, but also a more diverse habitat for other types of birds," Tony adds.



Local Audubon Society members frequent the Stockton plant to watch the many birds that make their home in the wetlands area.

## RWE CEO visits US



RWE CEO **Harry Roels** personally greeted employees on a recent visit to the US. Harry spoke of the pending divestment of American Water saying: "We want American Water to continue to be successful and we will do our best to launch American Water into that new chapter."

He also acknowledged the recent appointment of **George MacKenzie** as Interim President & CEO noting: "I will be working very closely with George. I am very grateful that he has been willing to take on this role as the Interim CEO to provide us the necessary continuity."

Harry also said he hopes to visit again in the near future.

## Customer Service Centers improve performance

*continued from page 1*

calling in the first call made to the CC, American Water's 72 percent success rate at one-call resolution is only 1 percent lower than the industry average according to the Customer Contact Council, which provides and captures industry benchmarks.



"We're not that far off from the highest scores for other companies

(around 80 percent) that can regularly satisfy the customer on just one call. Our calls, whether about bills or service, are often problematic and that makes our one-call rate commendable," Glenn said. With upcoming quality assurance plans and ongoing support efforts, the CC is looking to raise our service and resulting first call resolution rates during the coming year.

Glenn estimates our Customer Service Representatives answered close to 98 percent of all customer calls to the Altan and Pensacola Customer Service Centers through December of last year. During the fourth quarter alone, more than 99 percent of all calls were being answered. He said, "The hard work and diligence of this great team is paying off."

## Best Practices

*continued from page 1*

Employees are also working on improving American Water's travel policy and practices.

"We had to defer some of the project last year because of the high resource demands that were being placed on us by our technology projects," explains COO **John Young**.

"With our decision to delay the SAP conversion, our momentum for implementing best operating practices is building with firm goals and objectives planned for 2006 and beyond.

"In fact, we are in the process of recruiting leaders for Network/Field Service, Production/Plant Maintenance and Engineering/Asset Management/Developer Services who will join Project Director **Steve Seidl** on the BOP team," John adds. "We will also be involving a great number of people from

### Best practices improve service

Implementing Best Operating Practices across the business will enable us to further improve service to customers while adding cost efficiencies to the business. We continue to do this by assessing all routine operating and maintenance procedures and determining only best practices to implement across the company.

across the company who will provide input on how we can do our jobs better. More work on best practices in the Network, Production, Maintenance and Customer Services areas will be initiated during the next few months."

Contact: Steve Seidl at (712) 691-2132 or sseidl@amwater.com

# Across the Americas Region

California American Water was a major sponsor of last month's Martin Luther King Jr. Day celebration in Sacramento. The Community Restoration Project engaged employees from companies across the city to repair, clean, paint, landscape portions of the area and sort donations at area community centers, nonprofit organizations and schools.

The project was designed to meet community needs while building understanding and commitment to Martin Luther King's principles of nonviolence and diversity.

The project was designed to meet community needs while building understanding and commitment to Martin Luther King's principles of nonviolence and diversity.

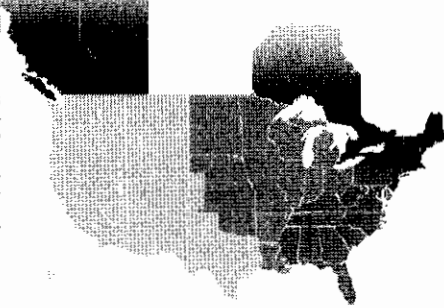


California American Water also provided bottled water at all volunteer work sites.

"The event was a major success and provided many Sacramento employees with the opportunity to give back to the community," said **Debra Vernon**, Communications and Corporate Social Responsibility Manager.

Gilberts is among best performing plants

American Water's Gilberts, IL, wastewater treatment plant was one of only six Illinois facilities - out of 230 in their category - to be nominated for the Illinois Association of Water Pollution Control Operators Best Operated Wastewater Treatment Works award. The award recognizes the best performing wastewater plants in the state. Final selections will be made this summer.



Springs Main Street Organization The Webster Springs Main Street Organization is a group of prominent citizens who have beautified the city by installing antique street lamps and numerous flower gardens and pots throughout Webster Springs. They also recently replaced a rusted chain link fence with two newly constructed brick walls.

West Virginia American Water staff members placed company logo decals on the tank to promote our support of and involvement with the organization

### Northeast Region

#### Swapping leak stories

The Region held its first leak detection workshop for technicians.

"We intend to make this a quarterly meeting to focus on our non-revenue water targets and exchange tricks of the trade," said **Rob MacLean**, Director of Network for the Northeast Region.

The workshop included presentations on non-revenue water action plans; the M-Log project, where leak detection devices are installed on the service line in customers' homes; and local leak detection efforts. Participants learned about the latest technologies including the ability to detect a leak the size of a pen tip.

"A portion of the workshop was spent swapping information and ideas," Rob reported.

Leak detection techniques vary among operations because of different factors like soil types. The participants also discussed the challenges they face every day and what they do to resolve and manage those challenges.

### Champaign is best tasting

#### Employees of the Champaign District of Illinois American Water celebrated their success after being

named producers of the "Best Tasting Water." An expert panel of "water judges" from the American Water Works Association awarded Champaign the Best Tasting Water honor.

A local print advertisement reminds customers about the distinction and to acknowledge the hard work of our employees.

### Helping Main Street

The Webster Springs division of West Virginia American Water recently donated a large portable water tank to be used for watering gardens sponsored by the Webster



A local print advertisement reminds customers about the distinction and to acknowledge the hard work of our employees.



# People in the news Welcome



**Mike O'Donnell**, CPA, recently joined American Water as Director of Internal Control. Mike is primarily responsible for assessing internal controls and he will be coordinating our Sarbanes-Oxley Act implementation and compliance.

Previously a First Vice President with MBNA America Bank, Mike served as the manager of the Sarbanes Oxley Internal Control Group and bank-wide Reconciliation Group. He received his bachelor's degree in financial management from The Catholic University of America. Mike reports to **Bob Slevers**, VP and Controller. He lives in Madison, NJ.

**Bill Schiavi** also recently joined American Water. Bill is our new Tax Director responsible for managing all income, sales and use, and property tax issues for the company. Bill reports to **Bob Slevers**, VP and Controller.

Bill previously worked as Tax Director for Novo Nordisk Inc., a Danish-owned pharmaceutical company based in Princeton, NJ. He is a graduate of Pace University Graduate School where he received his master's degree in taxation. He resides in Voorhees, NJ.



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For the latest developments and announcements, visit <http://americaintranet.lhameswater.co.uk/index.htm>.

If you have a story idea or comment, please contact External Affairs at (856) 309-4802 or e-mail AW Internal Communications.

## Walt & Friends



Even a poker face won't save you if you had to admit you were careless about the use of your RSA card. Keep it safe.

Besides your ID and password, remote dial-in access requires your PIN and the current RSA token number for you to remotely connect to the company network.

This information guarantees you are clearly identified as someone who has permission to access the network.

The RSA token number is only valid for a short period of time (60 seconds).

Protect your RSA token like you would your ATM card. Be sure to keep your recorded PIN number

separate from the token. It is important to safeguard your token at all times. If you lose your RSA token, forget the poker face and report it immediately to the Service Desk.

Contact [walt@amwater.com](mailto:walt@amwater.com)

## Special Honors



**Todd Beane**, Communications & Corporate Responsibility Specialist, was recently honored in a widely circulated West Virginia State University publication as a graduate who is making an impact with his involvement in the local Kanawha Valley.

## Appointments



**Paul A. Zielinski**, Southeast Region Director for Environmental Management and Compliance, was appointed by Gov. Ed Rendell to serve another four-year term on the Pennsylvania DEP Certification Program Advisory Committee, which assists the DEP in creating the new Operator Certification Regulations.



**Daniel J. Hufton**, P.E., Southeast Region Director for Production, was appointed chairperson of the Pennsylvania AWWA Southwestern District Executive Committee.



American Water

# team:americanwater



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HR's strategic thrusts p. 2



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Customer scores are in p. 3



**Environment**  
Responsible solutions p. 4

An even greater enterprise



It has been both a privilege and a pleasure to serve the last few months as your Interim CEO and President. With Don Correll beginning as your new top company officer, I will resume my non-executive role as a Board member of American Water.

Don is a most accomplished water industry leader who will provide the direction necessary for American Water to not only experience a smooth and beneficial ownership transition, but to go on to become an even greater business enterprise. As a director of the company, I feel very gratified and confident that American Water will continue to prosper.

We have the capability and commitment from all levels of employees for unprecedented growth and success – the kind of growth and success that benefits everyone with stability, added resources and job satisfaction.

American Water has what it takes to reach our 2006 company targets (mentioned on page 3) as well as our future goals.

American Water has you – people who are truly dedicated to delivering the highest quality service to our customers.

Thank you for the opportunity to witness that firsthand.

Sincerely,

*G. MacKenzie*

George MacKenzie  
Interim President & CEO

## Introducing American Water's new CEO

**Donald L. Correll becomes President and Chief Executive Officer of American Water, effective April 17.**

Don previously led United Water Resources of Harrington Park, NJ, as Chairman, President and CEO. Under his direction, the company's market value increased from \$400 million to \$1.8 billion, its revenue base grew from \$150 million to \$500 million, and the employee base quadrupled. He is also credited with expanding the customer base from 1 million in two states to 7.5 million in 19 states.

For the past three years, he has served as President and CEO of Pennichuck Corporation, a water utility based in Merrimack, NH. During his tenure, the company has reported solid financial performance and growth in market value and customer service.

According to **Harry Roels**, CEO of RWE, "Don has served in leadership roles in the industry for more than 30 years. He has also steered several companies through transitions, growth and expansion. This experience makes him a natural choice for American Water."

Don held a variety of senior management positions with increasing responsibility during his more than 25 years with United Water Resources including Senior Vice President of Finance, CFO and Treasurer. Don was instrumental in the formation of a holding company and its re-listing on the New York Stock Exchange and ultimately, led the company through the sale process to Suez Lyonnaise des Eaux. He serves on the boards of a variety of civic, professional and business organizations, including the Environmental Financial Advisory Board of the United States Environmen-



tal Protection Agency and the National Association of Water Companies. In addition, he is a member of the Board of Directors of HealthSouth Corp. and Interchange Financial Services Corporation, and is a Commissioner of the New Jersey Water Supply Authority.

A graduate of The Pennsylvania State University and New York University, he holds a bachelor's in accounting, and a master's in finance. Don is also a Certified Public Accountant in New York.

He resides in Franklin Lakes, NJ, with his wife, Chris. Don enjoys golf and is an avid baseball fan.

Welcome American Water's new CEO Don Correll.

A close up look...

### at complying with SOX

Congress enacted the Sarbanes-Oxley Act of 2002 to establish higher levels of accountability and corporate governance standards. Sarbanes-Oxley, or SOX, requires publicly registered companies to report on the effectiveness of the companies' controls over financial reporting.

The implementation of SOX should prevent accounting and reporting problems from recurring, rebuild public trust in the capital markets, define a higher level of management responsibility, and provide improved standards for corporate accountability and penalties for wrongdoing.

While the Act's focus is primarily on the checks and balances surrounding financial reporting and corporate governance, the impact is far-reaching in the organization, touching the CEO, CFO, management and many other employees. SOX focuses on key business processes from start to finish, ensuring that the proper controls are in place and are operating effectively. These controls and processes impact our ability to report and disclose accurate financial information in a timely manner.

Although the Act currently impacts most publicly traded companies, the spirit of SOX and the focus on internal control is beginning to penetrate the private and government sectors as well. Whether American Water is sold to private investors or becomes a publicly traded company, we will design and evaluate our controls based upon SOX requirements. Companies like American Water are working to bring themselves in full accord in a timely manner.

The implementation plan of American Water's SOX Program approach is in the process of being developed and will be communicated in the near future.

### Thank you, George

**George MacKenzie**, who has served as the Company's Interim CEO since January 1, 2006, will continue as a Board Director as CEO **Don Correll** joins American Water.

"I am confident Don's experience, style and approach will guide American Water into a successful future, nurturing our rich history and commitment to delivering reliable, high-quality service at a fair price," George said.

RWE CEO **Harry Roels** noted his appreciation for George MacKenzie's contributions over the past few months. He said, "George has provided solid leadership for American Water and I am very pleased that he has agreed to return to the company's Board of Directors as a non-executive member."

## New CFO and CIO appointed

**We recently welcomed Ellen Wolf as Senior Vice President and Chief Financial Officer, and Hanna Lukosavich as our new Chief Information Officer.**

Ellen will be responsible for all finance and treasury activities and will help lead the company through our transition to new ownership. She has also been elected to the company's Board of Directors.

"I have known Ellen for many years and have always been impressed by her high ethical standards and her focus on sound internal controls, Interim President and CEO **George MacKenzie** said. "Those qualities will be very valuable as American Water transitions to new ownership. Ellen's combined experience as

CFO of American Water for nearly four years before the acquisition by RWE and as CFO for publicly traded USEC Inc. makes her uniquely qualified for this position."

Hanna, who reports to Ellen, brings an extensive background in developing and implementing successful information technology strategies aligned with key business objectives. "She possesses strong technical knowledge, business process skills, strategy planning and proven project leadership abilities—all of which make her an outstanding choice," George said. Hanna also has experience in areas important to American Water,



Hanna Lukosavich



Ellen Wolf

Including high performance IT infrastructure, Enterprise Resource planning and Sarbanes-Oxley Act compliance.

In her 25-year technology career, Hanna most recently served for two years as Vice President and CIO for Hercules, Inc., a \$2 billion global manufacturer of chemical specialties.

Welcome Ellen and Hanna.

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## Human Resources

# A thrust toward improvement

"Building organization capability" is the central theme that Jim Mulski, VP of Human Resources, sees as a critical path to make American Water a "high performing organization." He states, "At the end of the day, the quality of our talent will define our success as a business."

Jim recently spoke to *team*: to share his passion for what he calls the "Strategic Thrusts" or the long-term direction of his function. They are:

- Becoming "One Company" — a premier integrated North American enterprise
- Developing increased leadership and organization capability to develop and execute business strategies and operating performance
- Improving employee engagement and positive employee relations
- Achieving HR functional excellence in processes and people
- Building the capacity for effective change in the organization

*team*: You refer to HR's strategic thrust. Just what do you mean?

**JM:** They are the longer-term outcomes we have begun working toward. These strategies are part of the American Water business strategy to achieve our vision.

*team*: What are you working on right now?

**JM:** We have developed the "critical few" objectives for 2006. One



of these is the development and implementation of a number of company-wide human resource policies. The HR leadership team has determined the highest priority policies that should apply to all employees across the company. Of course, appropriate local policies will continue to address regional or unique business aspects as appropriate.

We're also focused on improving core human resource processes in the areas of resource planning/staffing; performance management and development; and rewards planning and delivery. Our objective is to simplify and streamline our work processes, gaining effectiveness in reducing any variation. We'll measure this effectiveness to ensure that greater consistencies and results will be achieved.

*team*: Any other 2006 goals worth noting?

**JM:** Yes, there are two other key objectives worth highlighting. First, we want to begin positioning American Water as the "employer of choice" in all the places we do business.

We'll further develop "Navigate" to better represent the total value associated with being an employee at our company.

Second, we are collaborating with our management teams to put in place a new organization capability process, capitalizing on successful efforts that began last year. This will help us improve our leadership succession depth and accelerate our talent development actions.

*team*: What's the most important message you want to offer employees?

**JM:** I would say that as an enabling function, the Human Resources team is committed to providing total quality processes, systems and service as we execute our strategic thrusts during the next several years. The ultimate measure of our success will be how you, our customers, are satisfied. We will certainly look forward to checking in with you periodically to get feedback on our progress.

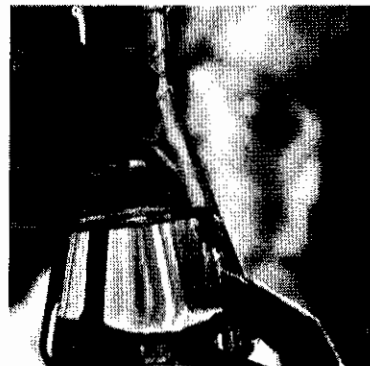
Here, (from left) HR Directors Carol Asselta, Debbie Krause-Kelleher and William Griffin join HR VP Jim Mulski to discuss implementation plans for several policies.



## A leader in environmental study and stewardship

### American Water's research to advance industry

American Water recently received partial funding by the American Water Works Association Research Foundation (AWWARF) for two select research projects that total \$1.3 million.



The project team will work with outside experts over the next two-and-a-half years to evaluate bacterial management plans. They'll develop a guidance manual to help utilities track and control coliform bacteria in water distribution systems. Exceeding the total coliform bacterial standard is the most common drinking water violation experienced by the nation's public water systems.

"American Water has an excellent record of total coliform compliance," notes Dr. Mark LeChevallier, Director of Research and Environmental Excellence.

The second project, to span the next two years, will raise leak detection technology to the next level using Automatic Meter Reading (AMR) systems to monitor and analyze acoustic vibrations in pipes. Project Manager and Infrastructure Engineer David Hughes explains, "If we can confirm that leaking water pipes go through several stages of progressive failure, then water utilities can proactively manage water main failures and schedule repairs within the distribution network."

### A Climate Leaders first

American Water is the first water and wastewater utility to join in the US Environmental Protection Agency's (EPA) Climate Leaders program.

Launched in 2002, Climate Leaders is an industry/government partnership that works to develop long-term, comprehensive climate change strategies. As an official Climate Leaders partner, American Water has committed to the following:

- Setting corporate-wide greenhouse gas emissions reduction goals to be achieved in 5 to 10 years
- Developing a corporate-wide inventory of the six major greenhouse gases
- Developing a corporate greenhouse gas inventory management plan
- Reporting inventory data annually and documenting progress toward the reduction goal.

According to Mark, "Climate change poses a potential threat to the efficient stewardship of water as an essential resource. We support approaches that limit the emission of greenhouse gases contributing to global warming."

Contact: Dr. Mark LeChevallier at (856) 346-8262 or mlechevallier@an.water.com.

## Past Board Chair named US Ambassador to Finland

American Water's Chairman Emerita Marilyn Ware recently became the US Ambassador to Finland. Vice President Dick Cheney presided over Ambassador Ware's swearing-in ceremony at the Department of State in Washington, DC, on February 7.

Ambassador Ware was nominated by President Bush to serve formally as Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Finland.

In her remarks to over 300 guests, Ambassador Ware said, "I want the people of Finland to know the generosity and humanity of the American people. I want to share the best of American values that we hold so dear."

Ambassador Ware has received recognition for having spent the majority of her adult life closely involved in the US water industry. She was Chairman of the Board of American Water Works Company from 1988 to 2003 and she

retired as Chairman upon the sale of the company to RWE. Ambassador Ware served on the Economic Advisory Board of RWE and as a member of the International Advisory Council of RWE Thames Water.

In 2002, she was appointed by President Bush to serve as a member of the National Infrastructure Advisory Council. She also served as Honorary President of WaterAid America, over which the Prince of Wales presides as president. WaterAid America is an international charity dedicated to the provision of safe domestic water, sanitation systems and hygiene education in 15 countries.

Ambassador Ware held positions on many national and

regional boards devoted to education, land preservation and American enterprise including Vice Chairman of the Board of the Eisenhower Fellowships Program in Philadelphia, which is chaired by Dr. Henry Kissinger.



Ambassador Ware, joined by her daughter Amyla, is sworn in by United States Vice President Dick Cheney.

# Meeting the targets

In February, Interim President and CEO George Mackenzie announced our key company-wide performance targets for 2006. "Our company-wide targets take a balanced view of performance focusing on financial achievement, customer service, efficient and effective business processes, and employee engagement," George says.

Those targets are listed in line with their corresponding performance areas. They provide the foundation upon which specific regional, functional, departmental and individual performance targets have been established.

## American Water 2006 Targets

### Meet or Exceed 2006 Business Plan

- Meet our financial commitments
- Enhance working capital management through:
  - Increasing the speed in managing collectibles
  - Maintaining cost-effective inventory levels
  - Processing payables in a timely manner

### Execute Regulatory Programs Effectively

- Process rate cases in a timely manner to achieve planned outcomes
- Support regulatory approval of transfer of ownership

### Enhance Customer Satisfaction

- Consistently achieve overall customer satisfaction ratings of 95 percent or higher
- Meet or exceed internal and external customer needs in a timely and efficient manner

### Deliver Reliable, High-Quality Service

- Meet the reliability and quality expectations of our utility customers and regulators
- Effectively and efficiently deliver our \$660 million capital program



### Execute Company-wide Diversity Plan

- Integrate Diversity into all key policies and practices

### Sustain and Enhance Operating Performance

- Achieve basic Sarbanes-Oxley compliance by year-end
- Increase emphasis on delivering results on time, within scope and budget
- Meet or exceed the business growth targets

### Enhance Talent Bench Strength and Capability

- Ensure employees have individual performance targets and timely feedback
- Implement stronger processes and policies that enable attracting and retaining talent

### Enhance Employee Engagement and Satisfaction

- Increase focus on open, timely and relevant employee communications
- Continue delivering on employee survey action plans

# Customer satisfaction rating at 93 percent

The results are in! Our customers, in an annual survey, said American Water gets high scores in these three areas:

- Water quality that customers can always trust
- Quickly responding to problems
- Ability to solve problems

Results from our annual survey also show a 93 percent satisfaction rate among our customers. This rating, which is up from last year's 92 percent rating, provides room to improve in order to meet our 95 percent organizational target.

"The only valid way to understand what our customers truly expect and whether we have met their expectations is to ask them," COO John Young says about the survey. "I am very pleased that American Water scored high in three areas that customers also say are most important to them. We must maintain our focus and diligence in the areas identified in the survey."

The statistically valid survey was conducted nationwide in November 2005 by an independent research firm. The firm asked more than 1,000 customers in our four regions for their feedback and opinions on many different aspects of the regulated water and wastewater service we provide.

Some important areas identified by customers as needing attention included improving services to customers, forward thinking and providing relevant information to them.

"Continual improvement must be our objective," John adds. "These particular perceptions derived from the survey will help steer the direction of new and existing programs so we can deliver the results our customers are expecting."

Contact: Robin Casale, Senior Operations Specialist at (856) 309-4612 or robin.casale@amwater.com.



Our customers agree, water quality they can trust, a quick response to problems and our ability to solve them are what's most important to them.



# Water For People, now!



As stewards of water service, many of us are sympathetic to the problem faced by more than a billion people worldwide who do not have access to safe water. American Water's national Water For People campaign offers an opportunity to help work toward a solution!

In observance of World Water Day on March 22, all subsidiaries joined forces and launched a system-wide employee campaign to benefit Water For People

and its efforts to bring safe drinking water, basic sanitation and hygiene education to developing countries. The three-week campaign will run through April 14.

American Water employees have supported Water For People for more than a decade through unprecedented volunteerism and generous monetary contributions. Last year, the company and its employees contributed over \$100,000 to Water For People in our first nationwide campaign.

This year, American Water is matching employee contributions made through April 14, up to \$50,000. For more information, contact your local coordinator.

A list of Water For People campaign coordinators can be accessed on the Americas Intranet under the Corporate Responsibility section.



# Look for changes to your team: ...



Future issues of *team:americanwater* will have a new look and feel.

Your comments and suggestions are always welcome. So tell us what you think about your *team*.

Contact: External Affairs at (856) 309-4802 or e-mail AW Internal Communications.

# Across the Americas Region

California American Water will help fund a program to direct treated wastewater from the Carmel Area Wastewater District (CAWD) treatment facility to an area adjacent to the Carmel River Lagoon, home to the threatened steelhead trout and California red-legged frog. Treated wastewater from CAWD currently is used to irrigate open space areas in the Del Monte Forest, including



the world-famous Pebble Beach Golf Links. The treated water, however, has proved too salty to maintain the golf courses without periodic flushing with potable water. The new agreement will redirect the treated water that goes unused by the golf courses during the potable flush periods.

California American Water will pay for upgrades to the CAWD plant to allow the surplus water to be directed to the lagoon habitat.

California American Water

## Contacts

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For the latest developments and announcements, visit <http://americaslabnet.ameswater.co.uk/index.htm>

If you have a story idea or comment, please contact External Affairs at (856) 309-4802 or e-mail AW Internal Communications.



**General Manager Steve Leonard** says, "This project will help to offset the effects of our pumping on habitat and wildlife, while we continue to pursue an alternative supply program."

**Central Region**  
**Source Water Protection Program reorganized**  
The Missouri Department of Natural Resources and EPA Region VII recently recognized Missouri American Water's Wellhead Protection Program in Brunswick, MO. The program was designed as a pollution prevention and management program used to protect underground-based sources of drinking water.

"Source water protection is all about sustaining our quality drinking water source for the

**Southwest Region**  
**Got safe milk?**  
Pennsylvania American Water is participating in a milk safety study being conducted by Penn State University's College of Agricultural Sciences.

Water Quality Manager **Ron Bargtel** participated directly in



The purpose of the research project is to examine perceptions of risks associated with the production and marketing of milk and milk products within Pennsylvania.

Project researchers say they hope to produce several case studies to highlight how milk is currently safeguarded, how community infrastructure and hazard containment units would be able to respond to a hazard condition and how government and professional organizations help bring all players in the food chain up to date on the latest hazard control procedures.

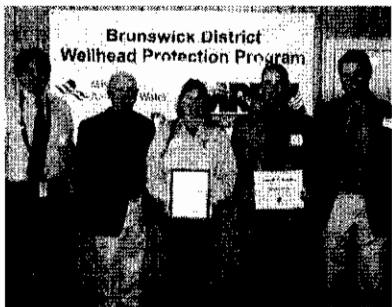
**Northeast Region**  
**Longest drill distance crosses river**

New Jersey American Water put into service a new water

transmission main that will improve service reliability to customers in Monmouth and Ocean Counties.

The project included the installation of almost two miles of 20-inch diameter water mains and included an innovative crossing of the Shark River. The 3,000-foot long river crossing was accomplished utilizing horizontal drilling technology that allowed for the installation of a 26-inch diameter water main under the river without trench excavations.

New Jersey American Water has used this construction technique in the past, but this project is the longest installation yet completed. The environmentally friendly installation method was accomplished by drilling a pilot hole and then pulling the main back through a pilot hole.



future," said **Penny Gladbach**, Operations Supervisor who proudly accepted the certificate of recognition to the company along with her team. "It's an honor to be recognized by our state and federal regulators."

the study on behalf of the company. Pennsylvania American Water was invited to participate because it supplies water to several dairies in western Pennsylvania involved in the survey.

# People in the news

## Organizational Changes



In February, Interim President and CEO **George MacKenzie** announced important organizational changes primarily within the Executive Management Team. He explained, "These changes will help us achieve our key priorities and prepare us for a smooth transition to new ownership."

They include an expanded role for COO **John Young** who has assumed more direct responsibility for company wide operations and the delivery of operating results. Included in this change, the Regional Presidents now report to John.



**John Bigelow** has been appointed Senior Vice President of Regulatory Programs and Enterprise Risk Management reporting to George MacKenzie. His responsibilities include rate case activity and approvals related to the transition to new ownership.

**Dan Kelleher** has been retained as a consultant and in that capacity he will lead the Communications and External Affairs function until a permanent leader is selected. Dan will also coordinate American Water's condemnation defense activities.



## Appointments



**Steve Schmitt**, VP Operational Services, recently assumed new duties. Steve is now responsible for Research and Environmental Excellence, Operational Performance, the Best Operating Practices (BOP) Project, Capital Program/Asset Management, Operational Risk Management and Supply Chain. In addition, Steve continues to be responsible for all Technical and Construction Services within the Engineering function and our Belleville laboratory. He reports to COO John Young.

Steve has more than 25 years experience in Engineering and Water Utility Management and has been with American Water for nearly 20 years. He served previously as American Water's Engineering Director, Vice President - Security Programs, Director of Construction and Chairman of the Materials Management Committee.

**Wayne Morgan** was recently appointed Northeast Region's Vice President of Service Delivery. Before accepting the position of Vice President of Business Performance in the Northeast Region in 2005, he was American Water's Director of Operational Excellence. He replaces Dennis Ciemiecki who left the company in January.

Reporting to Northeast Region President **Walter Lynch**, Wayne is now responsible for the Production, Network, Engineering, Customer Field Services, Operational Risk Management, Maintenance and Environmental Management departments.



## Walt & Friends

Hey! There's a big pile of confidential e-mails. But they shouldn't be left here!

Don't worry. They're not real. If anyone takes anything, they'll only be getting fakes ...

... because I've put the real confidential ones under my desk pad.

**A new look and feel is coming to your next issue of team:**



# team:americanwater



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A top  
priority** p. 2



**Progress  
Growth  
continues** p. 3



**Expertise  
Employees  
lead the way** p. 4

**We are  
American Water**



I've long been impressed with the size and scope of American Water. After 30 years in this dynamic industry, I feel honored and look forward to leading the largest and most geographically diversified provider of water and wastewater services in North America.

My top priority is doing everything possible to ensure American Water is at the forefront of the industry. The demands of the marketplace are tough. To compete effectively, we must have a much stronger public presence than we've had in the recent past. We're a proven leader in providing customers quality water and service. Our main objective is to build on that legacy with a renewed energy and to successfully relaunch American Water.

Our divestiture process provides us the perfect opportunity to reintroduce ourselves to the market. We are the largest provider of water and wastewater services in North America. We are American Water.

Sincerely,

Don Correll  
President and  
Chief Executive Officer

## Sale process continues

When a business participates in an IPO, it begins the process to transform from a business owned by one or several individuals or companies into a business owned by many. It involves the offering of partial or total ownership of the company to the public through the sale of shares.

— team:americanwater, December 2005

**On March 24, RWE announced its decision to pursue an initial public offering in the US for the shares of American Water, with a target completion date during 2007. Upon completion, American Water will be a publicly traded company focused on water and wastewater in the US and dedicated to maintaining a high level of service and quality.**

"I'm very excited to be starting my CEO role here at a time when American Water is transitioning to become a company that is publicly traded in the US," President and CEO **Don Correll** explained. "Upon completion, American Water will regain its status as the largest publicly held water and wastewater utility in North America."

"Registration with the Securities and Exchange Commission (SEC) to enter into a public offering is a much governed process that places

serious restrictions on what information can be communicated. I ask for your patience and your understanding that we are committed to keeping you as updated as permissible during the process."

Many employees have expressed an interest in the opportunity to purchase American Water stock. About this Don said, "We do not have any definitive information about this at the present time. I am confident that our employees, to the extent possible, will once again be able to become shareholders of American Water."

Don added, "For the time being, let's do our best to remain focused on our customers and continue to provide superior service and value to them as we prepare for this historic event."

Special note to employees: As Don explained, US securities laws and regulations impose strict

restrictions on American Water, its local operating subsidiaries and employees as to what may and may not be said to the public about the company, its local operating subsidiaries and the IPO process. Please remember that any violation of these laws and regulations could have serious negative consequences to American Water, RWE and the individual committing a violation. To comply with these restrictions, all questions from the media and others should be referred to **Dan Kelleher**, External Affairs, at (856) 346-8258 or **Kimberly Cooper**, External Communications, at (856) 346-8207.

A close up look...

### at the ownership transition process

This is the fourth part of a series of briefings to review some of the steps involved in the sale process of American Water.

#### SEC registration

Congress established the Securities and Exchange Commission (SEC) in 1934 to enforce securities laws. The mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets and facilitate economic strength.

All publicly held companies must abide by the strict rules and regulations of the SEC. For instance, each publicly held company must submit a detailed annual report of the company's business, including risks associated with investing in the company and its financial situation.

To sell stock to the public in the US, a company must register the shares it wishes to sell with the SEC. The initial registration of the company's stock is called an initial public offering or IPO. As part of the registration process, a company must disclose a significant amount of information, including extensive financial and operational information to the SEC on a "registration statement."

Securities laws and SEC rules and regulations restrict the amount and types of information a company and its employees entering into a registration filing can disseminate. Violations of these restrictions have significant negative consequences and can impact the effectiveness and success of the registration process.

(See more about SEC restrictions in this issue's story on RWE's sale process of American Water elsewhere on this page.)

### Interview with CEO Don Correll on page 3



### MAJOR MILESTONE IN DIVESTITURE PROCESS

## Company files for commission approvals

The first step in the process of RWE's divestiture of American Water was taken in April when petitions were filed with state public utility commissions in New York, Virginia, Maryland, Tennessee, Illinois, Hawaii, Arizona, Pennsylvania and West Virginia, for approval of the sale of shares of the company's common stock. Additional petitions to be filed during May and June include New Jersey, California, New Mexico and Kentucky.

These filings represent an important

milestone in American Water's history. "Getting to this point in the process has required an enormous amount of effort by many employees and advisors," CEO **Don Correll** said. "While the regulatory process will involve our entire regulatory team, it remains very important that each of us focus on our day-to-day responsibilities related to delivering the reliable, high quality service our customers expect."

We expect the commission approval process to be complete during 2007.



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# Dedicated employees + a capital spending strategy = quality service and reliability

"This year's investment program is planned for \$640 million, nearly \$100 million more than last year," COO John Young reports. "American Water's capital spending strategy supports our long history as a company devoted to maintaining and improving the condition and capacity of our facilities."

Plant and network improvements continue to be a significant part of our company-wide investment program.



RWE's decision to transfer ownership of American Water has not altered its capital spending commitment. "We all recognize, regardless of our ownership status, quality service delivery must always remain our top business priority," John adds.

"Our capital budget supports more than a 1,000 projects or programs each year that ensure reliability, regulatory compliance, improved functionality, customer satisfaction and operational efficiency of our systems," says **Steve Schmitt**, VP of Operational Services. "In fact, more than half of our investment will be for buried infrastructure in the form of replacement of aging water mains and new main construction to support growth and other needs within our existing service areas."

"Many of our systems have been part of American Water for more than 120 years," Steve adds. "However, whether we've owned them for one or 100 years, American Water takes the responsibility of ownership and service very seriously."

"More than 600 employees... will in some way support the execution of this year's capital investment program."

— Steve Schmitt,  
VP of Operational Services

This year we will also launch or continue several large capital projects including: The Coastal Water Supply Project in Monterey, CA; a regional supply project serving Lexington and areas of central Kentucky; the Canal Road Treatment Plant Expansion project in Somerset, NJ; the Shoal Creek/Blendville Water Supply and Treatment Plant upgrade in Joplin, MO; and, the Coatsville Wastewater Treatment Plant Upgrade in PA.

Steve explains that it takes a great deal of planning combined with in-depth local knowledge of the individual systems to make projects like these happen. In addition, hard work and attention ensure they are successfully managed and completed. He estimates that more than 600 employees, a select group of engineering consultants, and hundreds of suppliers and contractors will in some way support the execution of this year's capital program.

Contact: Steve Schmitt, at (856) 346-8263  
or [sschmitt@amwater.com](mailto:sschmitt@amwater.com)

## Making sure it's safe and pure

New drinking water regulations recently issued by the US Environmental Protection Agency (EPA) will be phased in over the next several years, but because of our long-standing commitment to customer service, American Water is ahead of schedule on compliance.

The first new regulation, Long Term 2 Enhanced Surface Water Treatment Rule, requires all surface water systems to monitor for *Cryptosporidium*, a microorganism frequently found in lakes and rivers. "We pioneered the research on *Cryptosporidium* and in the last two-and-a-half years we've tested almost half of the systems where its presence is possible," **Janice Welke**, Senior Analyst at our central laboratory in Belleville, IL, explains. "We're in a position now where we are accepting commercial sampling and performing the analysis for other water utilities that require this testing."

The second new regulation is the Stage II Disinfection By-Product Rule. Since disinfection by-product levels typically increase the longer water remains within the water system, the EPA calls for testing such locations every other month for a year. Using cutting-edge technology, American Water engineers have created computer models of the distribution networks. "Using these models to determine where by-product levels are highest, allows us to minimize the need for extensive validation testing," said **Cody Cruse**, Chemistry Manager at the Belleville laboratory. An added benefit is that once the required testing is complete, American Water will be able to use the updated computer models for other purposes, such as research and security.

American Water's objective, according to our research team, is not just to stay a step ahead of government regulations, but also to share our research and work with the EPA toward a common goal — making drinking water safer.



## A commitment to serve

### American Water defends its right to do business and serve customers

"We are a group of people who stick together to make things work. We work as a team. We need to be able to go back to the basics of providing customer service."

— Gary Johnson, Distribution Clerk, Champaign, IL

Over our 60 year history, American Water has been faced with challenges from individuals who believe government should own their own water utility. American Water is not alone. Private utilities throughout the United States including water systems, electric, gas and telephone, have faced similar challenges. However, such challenges are the exception not the rule.

Perhaps the longest running debate has been in Lexington, KY, where the local Council voted to condemn our company in 2003, but then voted to end the condemnations in 2005. Even though the governing body ended the condemnation, the proponents have remained active.

At the present time, American Water has no formal condemnation actions filed.

Most recently, in the communities of Champaign-Urbana, IL, there has been an active debate about government ownership. "In Champaign-Urbana and elsewhere we have had to deal with condemnation proponents misrepresenting facts about American Water to serve their interests," says **Dan Kelleher** who heads External Affairs and leads our condemnation defense efforts. "It's important to note that these often passionate and very vocal individuals do not represent the majority of our customers or the full governing body of the community."



"I know we do a good job, so it doesn't affect my pride. The majority of customers I hear from feel they are getting good service."

— Mike Brown, Serviceperson, Champaign, IL

The "good job" Mike speaks of is evident in the fact that Illinois American Water's Champaign District has earned a Class 1 Insurance Services Office Fire Rating, which places our water system in the top 0.1 percent of public protection systems in the US.

For four of the last six years, water provided by the Champaign District was also voted best water in Illinois by the Illinois Section of American Water Works Association and was awarded "Best

Tasting Water" in a national taste test conducted by the American Water Works Association at its 2005 annual conference.

"Though some may want government ownership of our systems, that does not alter the dedication our employees demonstrate by providing quality water and reliable service to our customers," Dan adds. "Each day our employees do their very best to serve our customers and actively support our communities."

Our national surveys and polls regularly show the majority of our customers are satisfied with the service our employees provide. The accomplishments that serve as testimony to the excellent work performed day in and day out by American Water employees across the country would fill pages and pages.

Even after more than four years of local debate about government ownership in Lexington, KY, our employees have been steadfast in delivering good service to our customers.

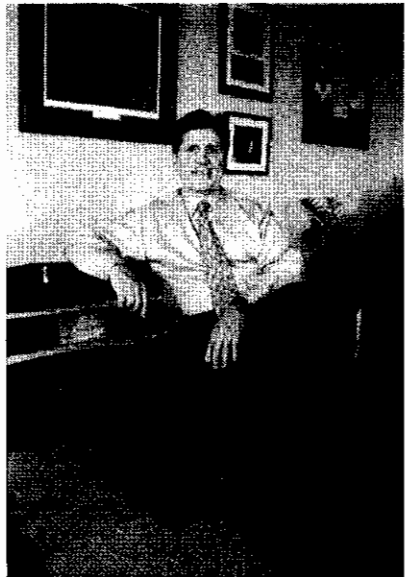
"No matter what — condemnation or not — our customers come first."  
— Beverly Horton, Field Service Records Clerk, Lexington, KY



# Commanding a stronger presence:

Don Correll talks about being prepared, new experiences and baseball.

For three decades Don Correll has held top leadership positions with US-based water and wastewater service providers. Don's career has involved continual advancement and it is most befitting that he now joins American Water as President and CEO.



Seated among memorabilia in his office at the company's headquarters in Voorhees, NJ, new CEO Don Correll talks business and baseball. He's passionate about both!

Here are some candid remarks he recently shared with team:

**team: What are your thoughts on taking on the top leadership role at American Water?**

DC: I've always respected the company's leading reputation and enjoyed working on industry issues with many American Water employees. I'm excited, enthusiastic and ready for the challenge.

**team: How do you feel about leading the divestiture process?**

DC: I'm anxious to make American Water an American company once again. I'm looking forward to returning the company to its rightful place in the market.

The ownership transition process and required compliance with new governance and financial reporting laws will bring change, but American Water has prevailed as a leading company through its many experiences. Based upon my experience, I know the organization is up to the task.

**team: What are your immediate plans for the company?**

DC: I want to do everything possible to position the successful re-launching of American Water. When I say this, I simply mean we have to come out of hibernation and command a much stronger public presence than we've had in our recent past.

It's important to me that we move forward on what's in front of us while staying focused on the basics of providing reliable, quality service to our customers and meeting our financial objectives.

**team: Tell us about yourself.**

DC: I'm married with three grown children and three young granddaughters. I have a passion for baseball and have accumulated lots of memorabilia over the years. People will be able to see them when they visit me at the office.

I was raised in Pennsylvania's Lehigh Valley and am a graduate of Penn State. I moved to the New York area in the mid-70s to work with Price Waterhouse and, as a result of that move, I have been a Yankees fan for the past 20 years.

My wife, Chris, and I have lived in Franklin Lakes, NJ, for the past seven years and have been residents of Bergen County, NJ, for the past 30 years.

*The way to remain trusted is to remain trustworthy*

## Ethics Code affirms our 'uncompromising integrity'

Like every leading business, American Water has maintained a Code of Ethics for decades. The Code is reviewed and updated periodically to be sure it is current with best business practices.

Our first update, since 2001, was recently completed and every employee will soon receive a copy. Training programs are also being planned to ensure employees have a clear understanding of our Code and how to adhere to it.

"Our Code explains the basic rules and principles that apply to all of us in our work," CEO Don Correll said. "It also emphasizes everyone's personal responsibility to speak up if we observe something that does not seem right."

American Water's long-standing commitment to "uncompromising integrity" is documented on the first pages of our Code of Ethics. It states, "All employees are expected to adhere to the highest standards of personal conduct."

For more information about American Water's Code of Ethics, please contact your manager or Human Resources representative.

## Campaign results still pouring in



During March and April, a system-wide employee campaign was held to bene-

fit Water For People and their efforts to bring safe drinking water, basic sanitation and hygiene education to developing countries. Campaign Coordinators like Dr. Kala Fleming, Environmental Engineer, helped spread the word. Look for final campaign results in future newsletters.

### Growth update:

#### American Water continues to grow:

##### Acquisitions

In Pennsylvania, American Water recently completed acquisition of two water systems and a related section of a wastewater system in an area where the company is already a leading provider. Acquisition of the Stillwater Lakes Water Association, the Winona Lakes Water System and a section of the Winona Lakes Wastewater system have expanded the company's customer base by more than 250 customers across Pike and Monroe Counties. The acquisition of the Pine Ridge homeowners association water system also added approximately 1,000 customers in Pike County.

In Hawaii, the Mauna Lani wastewater system was recently acquired adding more than 1,600 customers. This is our second wastewater acquisition in the state and our first acquisition on the Big Island of Hawaii. The acquisition also complements our management contract for the Kaupulahu system in the same area.

##### Bulk sales

Bulk water sales increased in New Jersey where we are now supplying over 2 million gallons per day to supplement the sources of several communities and suppliers. They include South Brunswick, Hopewell Borough, the Borough of Keansburg, Merchantville/Pennsauken Water Company and the South Jersey Water Supply Company of Mullica Hill.

In Indiana, American Water is now also providing an added source of supply to the Borden Tri-County Water Authority.



##### Contracted services

American Water is now providing sewer billing services in Pennsylvania for the City of Norristown, the Clarion Area Sewer Authority, Pleasant Hills and Baldwin Boroughs, and in West Virginia for Holiday Park.

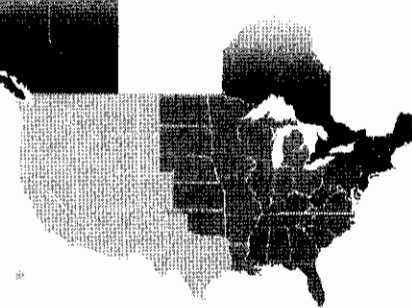
We now partner with more than 100 municipalities and sewer authorities to provide billing and collection services. Water and sewer billing and collection services are provided by employees at the Alton and Pensacola Customer Service Centers.

# Across the Americas Region

Employees at the Stockton waste water treatment plant recently played host to an international delegation of scientists and academics interested in the growth of algae and its potential to become a source of green energy.

Algae is a byproduct of the Stockton plant's treatment process. Presently, algae is being studied as a source for a gasoline substitute due to its high lipid content, a key factor in the production of alternative fuels.

The group was led by representatives of University of California - Berkeley and also consisted of specialists from Shanghai, India, Canada and Italy.

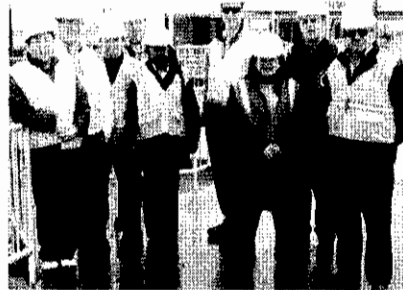


California Public Utilities Commissioner Dian Grueneich spoke of the Commission's vision for climate change preparation. **Harold Reed**, Environmental Engineer, describes American Water's recent entry into the

success in Illinois and was expanded to Missouri and Iowa schools this year.

An international studies teacher from St. Louis said, "My students were able to repeat all of the objectives of this performance and give examples. I am impressed. They learn so much better when they are having fun."

regulatory agencies in an effort to list the use of water treatment residuals from the American Water plants as a best management practice for the Chesapeake Bay Strategy," said Southeast Region Residuals Supervisor **Carla Suszkowski**. "We are working with the agencies to perform additional analytical testing on our water treatment residuals and to apply our residuals on a test plot. The outcome of this work could lead to other uses for the residuals generated as a result of our water treatment processes."



American Water sponsored a two-day workshop entitled "Climate Change - A Strategic Perspective" in San Francisco in February.

The workshop topics focused on water resource strategy, forecasting, the impacts on cities, climate change and energy, economic implications, mitigation and adaptation, and future research needs.

EPA's Climate Leaders Program as "a voluntary initiative that commits companies to establishing a baseline of greenhouse gas emissions from their operations, against which future reduction targets can be set."

Playing with water. Children at 42 elementary schools recently learned about the value of our water resources from performances sponsored by American Water. The play, "Water Pirates of Neverland Ocean's 3 1/2," teaches the basics about our water resources, how water is used and simple steps for water conservation. The program has a nine-year history of

### Southeast Region

Research to protect source water. American Water recently participated in a study to investigate the beneficial use of water treatment residuals to control phosphorus runoff and protect surface water quality.

Pennsylvania American Water joined the American Water Works Association Research Foundation (AWWARF) and other entities in this research of water treatment residuals.

Phosphorous impact is a large concern in a portion of Pennsylvania American Water's service territory, which contributes surface water to the Chesapeake Bay.

"The outcome of this research has led to meetings with several

### Northeast Region

Keeping employees safe and healthy

Employees of the Northeast Region were recently applauded for having met their 2005 operational target for safety.

The Region improved substantially with its Lost Time Injury Rate decreasing by 61 percent. Training, safety committees and the commitment of our employees all contributed to the significant improvement, according to Operational Risk Management Director **Kevin McMahon**.

"While we can be very proud of the accomplishments in 2005, we also want to focus our efforts on further improvement in 2006 and beyond. We have a goal to considerably reduce our Lost Time Injury Frequency Rate significantly by the year 2010. With such excellent performance results in 2005, we have an opportunity to reach our goal much sooner," Kevin said.



# People in the news

## Awards



**Cheryl Norton**, Director of Laboratory Services at Belleville, IL, recently received the American Water Works Association Illinois Section's Professional Service Award.

In the nomination prepared by **Patrick Vowell**, Belleville Lab's Chemistry Manager, Cheryl was recognized for her "diligence, hard work and intelligence." Cheryl began her career with American Water as a college intern and has worked at the laboratory for 17 years.

She received the award for her leadership and service to the industry. "Under Cheryl's direction, the laboratory is a model of efficiency, producing consistently high quality data that serves to monitor and protect American Water's product, thus keeping millions of customers safe from the water born pathogens and toxins that plague so much of the rest of the world," the winning nomination reads.

Congratulations Cheryl.



**Debbie Lippert**, External Affairs Director for the Southeast Region, will become the first woman to hold the American Water Works Association Pennsylvania Section's Director position. Debbie's formal nomination occurred at the section's annual conference held in April in Hershey. This is a major credit to Debbie and the company as was the notable fact that she was the first woman to chair the section as well. She held the section's chairman post from 2000 to 2004.



**Lendel Jones**, Director of External Affairs for the Northeast Region, was awarded the Annual Business Leadership Award from the New Jersey Conference of Mayors, Trenton Mayor and President of the US Conference of Mayors, Doug Palmer, paid tribute to Jones in the Conference magazine, congratulating her upon receiving the award.

## Appointments



**Bob McKeage** recently began as Director of Employee and Labor Relations. He reports to Human Resources VP **Jim Mulski**.

Bob is responsible for all labor relations activities at American Water with a significant emphasis placed on the development and implementation of our labor strategy. In addition, Bob will work closely with COO **John Young** to achieve continual improvements in areas including our Customer Service Centers and all Regional operations.

Bob previously served at Merck & Company, Inc. where he was responsible for all labor relations activities at its 8,500-employee location in West Point, PA. There he worked with four unions totaling more than 2,500 members.

He holds an MBA with concentration in Business Management/Personnel and Labor Relations from LaSalle University.



Director of Customer Service **Adam Boelke** will lead the Customer Service Center's Sarbanes-Oxley Act (SOX) compliance efforts and other auditing projects. Adam, who reports to Customer Services VP **Glenn Milton**, will work closely with the CSC audit and compliance ad hoc teams, as well as the company's SOX project team and American Water's SOX contractor, Ernst & Young.

Adam will be the CSC's point person for the American Water Regions and company headquarters on the SOX project and all CSC audits.

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For the latest developments and announcements, visit <http://americasintranet.thameswater.co.uk/index.htm>

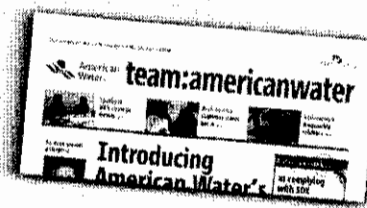
If you have a story idea or comment, please contact External Affairs at (856) 309-4802 or e-mail AW Internal Communications.

# Look for changes to your newsletter...

Future issues will have a new look and feel.

Your comments and suggestions are always welcome. So tell us what you think.

Contact: External Affairs at (856) 309-4802 or e-mail AW Internal Communications





# team:americanwater



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**Dedication**  
Service anniversary record p. 3



**Milestones**  
Achievements and events p. 4

## Advancing ownership transfer



It's extremely gratifying to hear employees share their enthusiasm regarding American Water becoming an American company once again. The entire Executive Management Team shares this pride and excitement in returning the company to its rightful place in the market.

Next to providing superior service to our customers, completion of the transfer to new ownership continues to be the most important business matter at American Water.

We reached an important milestone this month when we filed the last of the petitions with public utility commissions in the 13 states where regulatory approval is required. We received formal approval of our change of ownership from Hawaii.

There is much work ahead of us to complete the divestiture process and every employee can play a part. We are entering the peak water use season in many areas and maintaining water quality and service levels is important. It is your proven dedication that will help ensure ownership transfer becomes a swift reality.

Sincerely,

Don Correll  
President and  
Chief Executive Officer

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## DIVESTITURE MOVEMENT GAINS MOMENTUM

# Filings for regulatory approvals complete

American Water has filed petitions with public utility commissions in all 13 states where regulatory approval of ownership transfer is required. In fact, this month, the company received formal approval of our change of ownership from the Hawaii Public Utilities Commission.



In states where approval by the public service commission is not required, management members continue to keep our regulators informed about the transition to new ownership.

While each regulatory body has varied interests aligned with the needs of their state, a common concern will be to determine whether the sale will be in the best interests of American Water and its customers.

The regulatory filing process for the sale is being managed by a team including John, SVP of Legal **Dietrich Firnhaber**, VP of Regulatory Programs **Paul Foran** and Director of Regulatory Planning and Reporting **Tom McKlitrck**.

"This now marks our formal application in all 13 states where regulatory approval of RWE's divestiture is required," **John Bigelow**, SVP of Regulatory Programs and Enterprise Risk Management said. "These filings represent the culmination of a great deal of work and effort by many people. I am grateful to them and to all our employees for their continued support and interest."

## A close up look...

### at divestiture

This is the fifth in a series of briefings to review some of the terms being discussed in the sale process of American Water.

**Di-vesti-ture:** 1. An act of divesting. 2. The sale, liquidation, or spin-off of a corporate division or subsidiary.

The American Heritage Dictionary of the English Language: Fourth Edition, 2000

Put very simply, divestiture is the act of selling assets. Divestiture, or divestment (the terms can be used interchangeably), is a corporate strategy used when a company makes a decision to sell off a part of the business or close a subsidiary. This step may be taken when an asset would be more valuable apart from the company or when it is no longer considered part of the company's core business. The goal of divestiture is to allow a company to focus resources on its chosen business strategy and markets.

In November 2005, RWE announced its decision to divest American Water, and in March 2006, RWE announced it would pursue a sale of shares in an Initial Public Offering. Regulatory filings have been made in several states as a first step in the divestiture process.



When a meter is read, like this one by Missouri American Water's Mike Graff, that reading contributes to the company's revenue reporting required by SOX. When Alton Customer Service Center Specialists Theresa Duba and Debbie Maurer record customer bill adjustments, they too are supporting financial reporting requirements. SOX is a federal law affecting all employees - it's everyone's business.

# SOX

## It's everyone's business

SOX involves checks and balances, just as every job at American Water does.

Whether you're reading a meter, recording your work hours or purchasing uniforms, you are involved in an internal control process affecting our SOX compliance.

SOX is a shorthand reference for the Sarbanes-Oxley Act. The Sarbanes-Oxley Act involves federal law that established higher levels of accountability and corporate governance standards, including reporting requirements for publicly registered companies.

"The primary objective of SOX at American Water is to ensure that appropriate checks and

balances are in place for our processes to meet requirements of the law," Director of Internal Control **Mike O'Donnell** explains. "However, we want employees to realize that people at every level of the company impact American Water's ability to comply with SOX."

The Sarbanes-Oxley Act places serious responsibility on company officers to assess and prove that the company's checks and balances exist and remain effective each year. Failure to meet those responsibilities can result in a variety of penalties. Compliance with SOX is required for all public companies. According to Mike, our internal control program is designed to lead American Water to full SOX compliance when we become a public company. The program will also sustain the ongoing assessment and testing process required of American Water each year.

To start that process, we are conducting a comprehensive assessment of our checks and balances to determine their appropriate design and effectiveness. Once this phase of our program is complete, we will test and confirm our procedures for full compliance. "SOX compliance is not a one-time occurrence," Mike adds. "Each year the company is required to assess and test its checks and balances in complying with these laws."

# Water Week wrap-up

National Drinking Water Week, held in May, has long been an important annual event for American Water and its employees. Sponsored by the American Water Works Association (AWWA), the week is designed to recognize the vital role drinking water plays in our daily lives.

American Water celebrated the week with a series of activities including:

- Kentucky American Water joined forces with Bluegrass Pride, a local environmental organization, to celebrate "Love Your Lawn and Drinking Water Week" while employees cooled off with a Kool-Aid competition.



▲ West Virginia American Water provided an interactive presentation to students at a local elementary school and invited them to make terrariums to illustrate the water treatment process.

- Missouri American Water Company's Joplin and St. Joseph districts held their fourth annual poster contest for local middle school students. St. Joseph student entries rose to 351 this year, up from 25 entries received in the contest's first year.



▲ Pennsylvania American Water helped sponsor the Lackawanna River Corridor Association's annual Riverfest and the Fayette County Children's Water Festival. Employees assisted in the planting of the Western Pennsylvania Conservancy Community Garden, a company-sponsored project in suburban Pittsburgh.

- New Jersey American Water staff members distributed water-related materials to friends and visitors at the State Capitol in Trenton.



▲ Tennessee American Water and Kentucky American Water sponsored a watershed art contest and were joined by representatives from the Tennessee Department of Environment and Conservation, and the Tennessee Aquarium to judge more than 40 entries.

## Coming soon...

### American Water's revised Ethics Code

American Water's Code of Ethics, a common governing document among leading companies, is reviewed and updated periodically to be sure it is current with best business practices.

Our first update since 2001 was recently

completed and every employee will receive a copy in the near future.

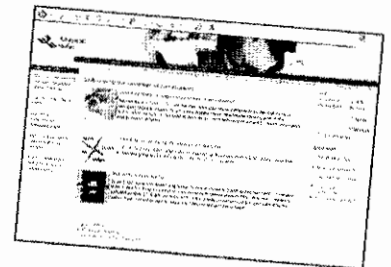
"Our Code explains the basic rules and principles that apply to all of us in our work," CEO Don Corral said. "It also emphasizes everyone's personal responsibility to speak up if we observe something that does not seem right."

The Code states on the first pages, "Every member of the American Water group of companies has a responsibility to adhere to the highest standards of business ethics."

For more information about American Water's Code of Ethics, please contact your manager or Human Resources representative.

## Find all the news about your work world on the new American Water Intranet

American Water's new Intranet site is your single source for company information, internal announcements and other essential information for your personal and business needs.



The new American Water Intranet provides access to all the information previously housed in the Americas Region section of the Divisional Intranet and has been enhanced. In addition, our new Intranet will be hosted by a US-based server. Access to the RWE/Thames Water Divisional Intranet will no longer be available.

If you are computer accessible, you'll want to familiarize yourself with the redesigned navigation of the new Intranet. Set the address <http://intranet.amwater.net> as your home page so you can easily find the new American Water Intranet.

## Outstanding employee participation helps top last year's efforts



For the 2006 campaign, American Water and its employees contributed over \$116,000 to Water For People. "We not only topped last year's total, but 75 percent more of our employees saw fit to contribute to this worthwhile cause," explained Kimberly Cooper, Director of External Communications and Corporate Responsibility. "We're really pleased that we received increased participation in

virtually all locations. This truly demonstrates the American Water family's strong support for Water For People and its efforts in providing access to safe drinking water, basic sanitation and hygiene education to those in developing countries."

As in last year's campaign, American Water matched the first \$50,000 in donations contributed by employees.

American Water employees have supported Water For People for more than a decade through unprecedented volunteerism and generous monetary contributions. Last year, the company and its employees contributed over \$100,000 to Water For People in our first nationwide campaign.

You can access more information about Water For People at [www.waterforpeople.org](http://www.waterforpeople.org).



Many creative Water For People fund-raising events took place during our company-wide campaign. Employees at our central laboratory in Belleville, IL, raised an extra \$420 in a competitive coin collection where the red team challenged the blue team. Pictured are participants (seated, from left) Jamie Gough, Ronnie Trigg, Sheri Klucker, Cody Cruse, (standing, from left) Pam Walton, Dan Monahan, Diane Mueller, Lynn Taake, Sharon James and Tim Desmond. The red team won.

HR Employee Referral Policy enhanced

# Share the wealth

**9** "I think American Water is a great company to work for and I'm one of those people who, when they find something good, they like to share it with others," says **Natasha Mossie**, Customer Service Supervisor in Pensacola. That might explain why Natasha received four employee referral awards last year. Through the Employee Referral Program, current employees can recommend qualified friends and acquaintances for job openings with American Water. If the referred candidate is hired, the employee receives a cash award depending on the salary level of the new hire.

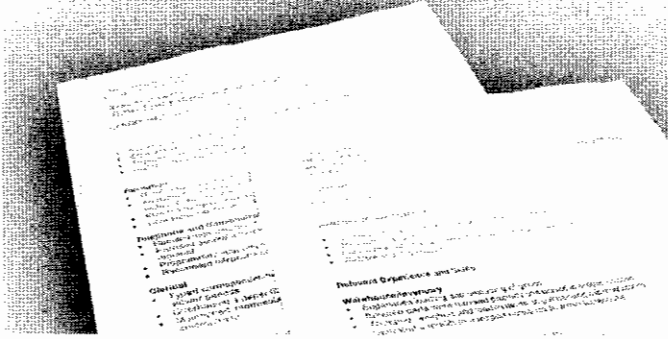
According to **Carol Asselta**, Director of Human Resources for the Voorhees Business Center, the program has been very effective in locating highly qualified employees. "We trust these recommendations because our employees know that their referrals reflect on their credibility," Carol

says. The program was recently enhanced to make it even more attractive. Award amounts have been doubled to range from \$500 to \$2,500 and the time to receive the payout has been reduced from six months to 90 days.



**Nancy Yilmaz**, a General Accounting Team Leader for Shared Services in NJ, received two employee referral awards last year. "The process is really simple," she says, "both of my referrals were prior co-workers who wanted to work for a company with American Water's reputation and stability. They sent me their resumes, I completed and attached the referral forms and sent the papers on to HR."

Last year, 83 new employees were hired through the Employee Referral Program. For more information about the program, contact your local Human Resource representative.



# American Water rewards its own

## College students and parents are winners

Since 1991, American Water has awarded nearly 100 four-year scholarships to college-bound children of company employees through the James V. LaFrankie Scholarship Program. American Water's Board of Directors established this scholarship program to honor Jim LaFrankie who served as Company President from 1984 through 1991.

More than 60 students applied this year for the scholarships which are awarded based principally on scholastic achievement and extracurricular activities.

This year's scholarship recipients are:

Award winner	American Water employee
Michael Antonelli	Dominic Antonelli, Utility Person, Southeast Region
Ryan Carpenter	Randall Carpenter, Senior Engineering Technician, Central Region
Kalena Cuevas	Robert Cuevas, Maintenance Technician, Western Region
Sarah Davis	Mark S. Davis, Crew Foreperson, Southeast Region
Rafael Green	Doedy Green, Senior Accountant, Northeast Region
Samantha Grzelak	Frank Grzelak, Alternate Equipment Operator, Northeast Region
Christopher Taylor	Kenneth Taylor, Supervisor, Construction, Northeast Region

### SCHOLARSHIP APPLICATIONS NOW BEING ACCEPTED

Any child of an American Water employee applying to an accredited college for admission as a full-time freshman in the 2007-2008 academic year is eligible to apply for a scholarship to be awarded in the spring of 2007. Applications will be mailed to employee homes in November and accepted until February 23, 2007.

The program is administered by Scholarship & Recognition Programs, an independent agency, on behalf of American Water. For more information, please call (609) 734-5356.

## 60 YEARS OF SERVICE

# Clark Wright is a legend

In 1946 the United Nations met for the first time, the Flamingo Hotel opened in Las Vegas and Ben Hogan won the PGA Championship. In Shrewsbury, NJ, a young man was beginning what would become an American Water legacy.



On April 19, 1946, **Clark Wright** started as a Utility Man with American Water at what was then called the Monmouth Consolidated Water Company. His supervisors refer to him as "a dedicated professional who gives the job 110 percent each and every day." They add, "His work ethic and dedication to New Jersey American is inspiring and commendable."

Clark, now a System Operator, says about his 60 years of service, "I enjoy my job and I wake up each morning looking forward to another productive day." He compared 1946 to today, adding: "When I started with the company the work was difficult, everything was done by hand. Two years later they began using a tractor to do the installations. Now things are not as physically demanding because of the changes in technology."

A large group of co-workers honored Clark at a recent celebration. He said, "It's good to have a job I appreciate and to work with a group of people I enjoy working with." Congratulations, Clark!

# Common ground

## Employees explore best practices

Across the company, we continue to assess all routine operating and maintenance procedures in our efforts to identify and implement more of American Water's best practices. The primary benefits of implementing Best Operating Practices throughout our business are knowledge sharing, consistent work methods, improved service to customers and cost efficiencies to the business.



Serious discussion about network operations is part of our best practices pursuit. At our Thousand Oaks, CA, location, (from left) Network Operations Supervisor Jennifer Williams, Pump Operator Joe Roldan and Operations Superintendent Al Yanez explain to Director of Best Operating Practices Steve Seidl and Operations and Maintenance Manager David Choate how they perform certain network procedures.



Here, (from left) Operations Superintendent Tom Peterson, Steve Seidl, Wastewater Operator Jim Bricker and David Choate discuss the operation of wastewater residuals at the Carmel Valley Ranch Wastewater Treatment Plant in Monterey, CA.

# Across the Regions

Nearly 1,200 volunteers participated in this year's Sacramento County area Creek Week cleanup event to clean and protect the region's creeks, streams and tributaries. California American Water was a proud participant of this event where volunteers removed over 20 tons of debris to protect and clean over 50 creeks, streams and tributaries.

The company also hosted a booth at the event's Celebration Picnic, which included displays, hands-on devices, information on conservation programs and promotional items.



Staff members were on hand to educate participants on topics related to both indoor and outdoor water conservation as well as our new Meter Retrofit Project.

Environthon educate high school students

**Rich Nicholson**, Water Quality Supervisor for Indiana American Water Company spoke in March at the East Central Region Indiana Environthon, a competition among high school students



## Contacts

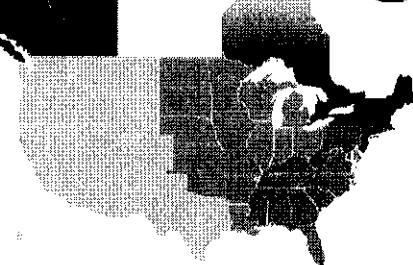
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regarding environmental topics. "The Environthon represents an excellent opportunity to provide education on water issues to students who are interested in environmental stewardship," Rich said. "It was quite an experience and a challenge to deliver five 25-minute lectures in two and a half hours to the participating teams."

Missouri American Water Company also participated in a Missouri Environthon competition held in May. Company sponsorship of the award prizes will help support the winning team's ability to compete in a North American competition.

The outreach programs — with names such as "Creepy Crawlies," "Feeling Froggy" and the "Rainforest Shuffle" — engage children in all sorts of imaginative, interactive activities. The "Build Your Own River" program involves students examining the ways they use water and determining where their water comes from.

"The kids had a great time building a river, and really get into the characters of the plants and animals," said Bill Haley, Education Outreach Coordinator for the aquarium. "But they also take away a sense of how fragile a river system can be."

Ribbons fly at West Shore Pennsylvania American Water celebrated National Drinking



Southeast Region  
Toasting our partnership with the Tennessee Aquarium

More than 25,000 children in Tennessee will learn this year about the importance of clean drinking water and protecting the environment thanks to a mobile educational program sponsored by Tennessee American Water Company and coordinated by the Tennessee Aquarium in Chattanooga.

Water Week with a ribbon-cutting ceremony for the company's new West Shore Regional Water Treatment Facility. The \$36 million state-of-the-art facility replaces the company's two Yellow Breeches water treatment facilities, one of which has been serving customers on the West Shore since the early 1900s and the second since the 1950s.

In addition to the new plant, the company has invested more

than \$8 million on the West Shore distribution facilities to support the new treatment plant, including a new 1.5 million gallon underground water distribution tank. This year, Pennsylvania American Water plans to invest another \$1.2 million on distribution system improvements on the West Shore.

The West Shore Regional facility, together with the Silver Spring water treatment facility, will serve more than 34,000 customers in 15 area communities.

### Northwest Region

**Keeping it safe!**  
Long Island American Water Company employees recently set a new safety record when they reached the 180 day mark without a lost time accident. Regional President, **Walter Lynch** said, "Thanks to the great efforts and continued focus on everybody's health and safety, our Long Island employees have reached a new milestone." "This accomplishment would not have occurred without everyone's total commitment and involvement."

### New and improved leak detection

Quarterly leak detection workshop attendees learned more

about MLog technology in our Manville service area. The sensor involved in this application has a proven record of detecting invisible leaks more than 300 feet away. Ground microphones are also used that are capable of picking up low frequency sounds.

The purpose of the workshop was to exchange information and learn about best practices in the leak detection field.

# People in the news

## Welcome

**Ed Vallejo** is American Water's new Vice President of Investor Relations. He reports to SVP and CFO **Ellen Wolf**.

"He will assist in the process of taking American Water into public ownership," Ellen explained about Ed's new role. "Following that, he will be responsible for communicating American Water's strategy and performance to the financial community."

Ed recently served as Thames Water Chile's Chief Financial Officer. Prior to his assignment in Chile, Ed held a variety of senior management positions with increasing responsibility including Vice President of Planning and Mergers & Acquisitions for American Water, and Treasurer of American Water Works Service Company.

He brings extensive experience in corporate finance, capital markets and investment banking, including initial public offering transactions.



## Awards

**Carol Asselta**, Director of Human Resources for the Voorhees Business Center, was recently honored by her peers with a Delaware Valley HR Person of the Year award, which was developed to recognize those in the HR profession who exemplify outstanding achievement.

The Delaware Valley HR Person of the Year Award is a joint effort among the Chester County Human Resource Association, Delaware SHRM, Greater Valley Forge HR Association, Philadelphia Regional SHRM and Tri-State HR Management Association chapters of the Society for Human Resource Management (SHRM).

The awards are given in four categories ranging from companies with 250 employees to companies with more than 10,000 employees. In the event program, she was noted as "a seasoned HR leader with strategic and operational experience in manufacturing, service, consulting and higher education." Carol and **Sue Keller**, HR Manager for the Enterprises Group, were previous nominees for the distinctive award.



## Recognition



The April/May 2006 issue of Diversity/Careers in Engineering and Information Technology featured **Shauntele James**, Operations Engineer with California American Water, the article titled "Civil and Environmental Engineering: The Job Demand Is Running High," highlighted Shauntele's education, work experience and role at California American Water.

"More and more women are showing interest in engineering and realizing that it's no longer a man's field," Shauntele says about her chosen field.

The article also listed American Water as a "diversity minded" employer. View the article on line at [www.diversitycareers.com](http://www.diversitycareers.com).

"American Water shows an interest in rewarding its employees for the work that they do regardless of who they are. I have been given a lot of opportunity here at American Water and I appreciate the interest the company shows in its employees," Shauntele said.

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