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AMERICAN WATER WORKS CO INC
Form DEFA14A
October 30, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒ [X]
Filed by a Party other than the Registrant ☐ []
Check the appropriate box:

- ☐ [] Preliminary Proxy Statement
☐ [] Definitive Proxy Statement
☐ [] Definitive Additional Materials

☒ [X] Soliciting Material Pursuant to Section 240.14a-12

Filing by:

AMERICAN WATER WORKS COMPANY, INC.

(Name of each Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- ☒ [X] No fee required.
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3) Filing Party:

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1

Voorhees, N.J., October 29, 2001

Press Release

American Water Works Company, Inc. Announces Earnings for the Third Quarter 2001

American Water Works Company, Inc. (NYSE:AWK) today announced earnings per share were 63 cents and net income to common stock was \$62.6 million for the quarter ended September 30, 2001 prior to one-time transactions.

This represents a 24% increase in earnings per share above the 51 cents per share reported for the third quarter last year. A ten-cents per share charge resulted from expenses incurred for the RWE/AG transaction announced September 17, 2001 and a three-cent per share net gain was recorded for the sale of water assets serving the city of Salisbury, Massachusetts.

After these one-time transactions, per share earnings were 56 cents and net income to common stock was \$55.6 million.

``Increased revenues from more than 40,000 new customers, authorized increases in rates charged for service, and modest weather pattern improvements were contributing factors to the improvement in results from on-going operations,'' said Ellen Wolf the company's chief financial officer. Cooler temperatures and frequent rainfall negatively impacted the company's revenues during the third quarter last year. ``Even though we did not return to historical sales levels in all states during the quarter, our geographical diversity helped to mitigate this year's weather impacts,'' added Ms. Wolf.

Compared with revenues for the third quarter last year, revenues increased \$31 million, or 8.5 % to \$395 million.

Total operation and maintenance (O&M) expenses increased 8.1% compared to O&M expenses for the third quarter last year. However, as a result of continued growth, per customer O&M expenses on a twelve-month basis were up only 3.5 % from per customer expense levels one year ago. Operating margins for comparative twelve-month periods were unchanged.

Depreciation expense increased 12.4% as a result of capital investments that increased net utility plant more than \$244 million.

Approval of the company's purchase of the water and wastewater assets of Citizens Communication Company in California was received from the California Public Utilities Commission in September. The company now has approval from state regulatory agencies in all six states covered by the purchase agreement and pending resolution of appeals from the California decision, anticipates completing that transaction by the end of this year.

Closing on the acquisition of Azurix-North America is anticipated in November.

The company stated that approval of the agreement with RWE/AG will be required

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in fourteen states and filings of the agreement must be made in five other states. It is anticipated that those filings will be made by the end of this year.

As announced earlier this month, a conference call with analysts regarding this earnings announcement will be available today on the company's website (<http://www.amwater.com>) at 3:00 PM (EST).

2

With annual revenues of \$1.4 billion, American Water Works Company, Inc. is the nation's largest publicly traded enterprise devoted exclusively to water and wastewater business opportunities.

For the three month, nine month and twelve month periods ended September 30, American Water Works Company, Inc., reports unaudited consolidated operating results as follows: (In thousands, except per share amounts)

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------|-------------------------------------|------------|------------------------------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| Operating revenues | \$ 394,956 | \$ 364,125 | \$ 1,075,261 | \$ 1,018,293 |
| Operating expenses | | | | |
| Operation and maintenance | 166,890 | 154,400 | 478,189 | 453,028 |
| Depreciation and amortization | 46,819 | 41,648 | 136,248 | 122,061 |
| General taxes | 33,049 | 31,942 | 98,825 | 96,610 |
| | 246,758 | 227,990 | 713,262 | 671,699 |

3

| | | | | |
|------------------------------------|----------|----------|-----------|-----------|
| Operating income | 148,198 | 136,135 | 361,999 | 346,594 |
| RWE/AG acquisition expense | (9,860) | | (9,860) | |
| Gain from sale of operating system | 4,820 | | 4,820 | |
| Other income (deductions), net | (45,409) | (51,916) | (138,735) | (142,662) |

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| | | | | |
|--|-----------|-----------|------------|------------|
| Income before income taxes | 97,749 | 84,219 | 218,224 | 203,932 |
| Income taxes | 41,972 | 33,488 | 89,605 | 80,979 |
| | ----- | ----- | ----- | ----- |
| Net income | 55,777 | 50,731 | 128,619 | 122,953 |
| Dividends on preferred stock | 146 | 996 | 438 | 2,988 |
| | ----- | ----- | ----- | ----- |
| Net income to common stock | 55,631 | 49,735 | 128,181 | 119,965 |
| Other comprehensive income, net | (13,285) | (23,856) | (19,794) | (47,062) |
| | ----- | ----- | ----- | ----- |
| Comprehensive income | \$ 42,346 | \$ 25,879 | \$ 108,387 | \$ 72,903 |
| | ===== | ===== | ===== | ===== |
| Net income to common stock | \$ 55,631 | \$ 49,735 | \$ 128,181 | \$ 119,965 |
| One-time transactions, net of tax | 6,930 | | 6,930 | |
| | ----- | ----- | ----- | ----- |
| Net income to common stock - excluding one-time transactions | \$ 62,561 | \$ 49,735 | \$ 135,111 | \$ 119,965 |
| | ===== | ===== | ===== | ===== |
| Average shares of basic common stock outstanding | 99,723 | 98,139 | 99,287 | 97,944 |

4

| | | | | |
|---|---------|---------|---------|---------|
| Basic and diluted earnings per common share on average shares outstanding | \$ 0.56 | \$ 0.51 | \$ 1.29 | \$ 1.22 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---|---------|---------|---------|---------|
| Basic and diluted earnings per common share on average shares outstanding excluding one-time transactions | \$ 0.63 | \$ 0.51 | \$ 1.36 | \$ 1.22 |
| | ===== | ===== | ===== | ===== |

Other

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information

Water sales

(billions of

gallons)

102.0

99.5

260.7

258.0

Utility

customers

(as of

September 30)

2,624

2,583

2,624

2,583

Twelve months ended
September 30,

2001

2000

Operating revenues

\$ 1,407,558

\$ 1,329,181

Operating expenses

Operation and maintenance

628,466

597,673

Depreciation and amortization

180,075

161,852

General taxes

127,434

126,037

935,975

885,562

Operating income

471,583

443,619

RWE/AG acquisition expense

(9,860)

Gain from sale of operating system

4,820

Other income (deductions), net

(185,884)

(187,286)

5

Income before income taxes

280,659

256,333

Income taxes

113,932

100,822

Net income

166,727

155,511

Dividends on preferred stock

1,150

3,984

Net income to common stock

165,577

151,527

Other comprehensive income, net

(39,890)

(32,813)

Comprehensive income

\$ 125,687

\$ 118,714

Net income to common stock

\$ 165,577

\$ 151,527

One-time transactions, net of tax

6,930

Net income to common stock -

excluding one-time transactions

\$ 172,507

\$ 151,527

Average shares of basic

common stock outstanding

99,091

97,612

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| | | |
|--|---------|---------|
| Basic and diluted earnings per common share on average shares outstanding | \$ 1.67 | \$ 1.55 |
| | ===== | ===== |

| | | |
|---|---------|---------|
| Basic and diluted earnings per common share on average shares outstanding excluding one-time transactions | \$ 1.74 | \$ 1.55 |
| | ===== | ===== |

Other information

| | | |
|--|-------|-------|
| Water sales (billions of gallons) | 344.7 | 343.0 |
| Utility customers (as of September 30) | 2,624 | 2,583 |

Forward looking statements in this report, including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These factors include, among others, the following: the success of pending applications for rate increases, inability to obtain, or to meet conditions imposed for, regulatory approval of pending acquisitions, weather conditions that tend to extremes of temperature or duration; availability, terms and development of capital; business abilities and judgment of personnel; changes in, or the failure to comply with governmental regulations, particularly those affecting the environment and water quality; competition; success of operating initiatives, advertising and promotional efforts; existence of adverse publicity or litigation; changes in business strategy or plans; quality of management; general economic and business conditions; and other factors described in filings of the Company with the SEC. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Contact:

American Water Works Company, Inc.
James E. Harrison, 856/346-8207
Nancy A. Macenko, 856/566-4026

* * *

American Water Works Company, Inc. (the "Company"), RWE Aktiengesellschaft, a company organized under the laws of the Federal Republic of Germany ("Guarantor"), Thames Water Aqua Holdings GmbH, a company organized under the laws of the Federal Republic of Germany and a wholly owned subsidiary of Guarantor ("Parent"), and Apollo Acquisition Company, a Delaware corporation and a wholly owned subsidiary of Parent ("Sub") have entered into an Agreement and Plan of Merger, dated as of September 16, 2001, pursuant to which Sub will be merged with and into the Company with the Company surviving the merger (the "Merger"). In connection with the Merger, the Company will be filing a proxy statement with the Securities and Exchange Commission (the "SEC"). SECURITY HOLDERS OF THE COMPANY ARE URGED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT CONTAINS IMPORTANT INFORMATION REGARDING

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THE MERGER. Investors and security holders may obtain a free copy of the proxy statement when it becomes available and other documents filed by the Company with the SEC in connection with the Merger at the SEC's web site at www.sec.gov. Security holders of the Company may also obtain for free a copy of the proxy statement and other documents filed with the SEC by the Company in connection with the Merger by contacting Nancy A. Macenko, Vice President External Affairs, at (856) 566-4026.

The Company and its subsidiaries and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the Company's stockholders in favor of the Merger. These directors include the following: Marilyn Ware, Gerald C. Smith, J. James Barr, Henry G. Hager, Ross A. Webber, Frederick S. Kirkpatrick, Paul W. Ware, Nancy Ware Wainwright, Ray J. Groves, Elizabeth H. Gemmill, William S. White, Anthony P. Terracciano, William O. Albertini, Rhoda W. Cobb and Horace Wilkins, Jr. and these officers include Joseph F. Hartnett, Jr., Daniel L. Kelleher, W. Timothy Pohl, Robert D. Sievers, Ellen C. Wolf, Nancy A. Macenko and James E. Harrison. Collectively, as of March 5, 2001, the directors and executive officers of the Company may be deemed to beneficially own approximately 21.9% of the outstanding shares of the Company's common stock and under 5% of the outstanding shares of the Company's Cumulative Preferred Stock, 5% Series. Stockholders of the Company may obtain additional information regarding the interests of the participants by reading the proxy statement when it becomes available.