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AMERICAN WATER WORKS CO INC  
Form 11-K  
June 28, 2002

CONFORMED COPY

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 2001  
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OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
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Commission File Number 1-3437-2  
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A: Full title of the plan and the address of the plan, if different from  
that of the issuer named below:

SAVINGS PLAN FOR EMPLOYEES OF AMERICAN WATER WORKS  
COMPANY, INC. AND ITS DESIGNATED SUBSIDIARIES

B: Name of issuer of the Securities held pursuant to the plan and the  
address of its principal executive office:

AMERICAN WATER WORKS COMPANY, INC.  
1025 LAUREL OAK ROAD  
VOORHEES, NEW JERSEY 08043

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Signature

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Audited Plan Financial Statements and Schedules Prepared in Accordance With The Financial Reporting Requirements of ERISA	7 to 17
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SIGNATURE  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the Retirement Plan Committee has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES

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Date June 27, 2002  
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\s\ Robert D. Sievers  
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Robert D. Sievers  
Member, Retirement Plan Committee

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SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES

Financial Statements

And

Supplemental Schedules

December 31, 2001 and 2000

SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES

Index to the Financial Statements and  
Supplemental Schedules

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Supplemental Schedules:*	
Schedule of Assets (Held at End of Year)	Schedule I
Schedule of Reportable Transactions for the Year Ended December 31, 2001	Schedule II

\* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Report Of Independent Accountants

To the Participants and Administrator  
of the Savings Plan for Employees of  
American Water Works Company, Inc.  
and Its Designated Subsidiaries

In our opinion, the accompanying statement of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Savings Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Assets (Held at End of Year) and of Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 14, 2002

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SAVINGS PLAN FOR EMPLOYEES OF  
 AMERICAN WATER WORKS COMPANY, INC.  
 AND ITS DESIGNATED SUBSIDIARIES  
 Statement of Net Assets Available for Benefits

	December 31,	
	2001	2000
Assets		
Investments (See Note 3)	\$134,730,781	\$100,685,352
Receivables:		
Employer's contribution	285,478	272,390
Participants' contributions	1,058,847	1,106,424
Accrued interest and dividends	15,570	11,226
Net assets available for benefits	\$136,090,676 =====	\$102,075,392 =====

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

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SAVINGS PLAN FOR EMPLOYEES OF  
 AMERICAN WATER WORKS COMPANY, INC.  
 AND ITS DESIGNATED SUBSIDIARIES  
 Statement of Changes in Net Assets Available for Benefits

December 31,

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	2001	2000
Additions to net assets attributed to:		
Investment income:		
Interest and dividends	\$ 2,910,669	\$ 2,937,004
Net appreciation in fair value of investments (See Note 3)	12,242,528	5,382,495
Net asset transfers in (See Note 11)	6,885,016	1,903,611
	-----	-----
	\$22,038,213	\$10,223,110
	-----	-----
Contributions:		
Employer's	3,410,856	2,958,055
Participants'	13,269,495	12,718,976
	-----	-----
	16,680,351	15,677,031
	-----	-----
Total additions	38,718,564	25,900,141
	-----	-----
Deductions from net assets attributed to:		
Benefits paid to participants	4,703,280	4,668,459
	-----	-----
Total deductions	4,703,280	4,668,459
	-----	-----
Net increase	34,015,284	21,231,682
Net assets at beginning of year	102,075,392	80,843,710
	-----	-----
Net assets at end of year	\$136,090,676	\$102,075,392
	=====	=====

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

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SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES  
Notes to Financial Statements

NOTE 1 - DESCRIPTION OF PLAN  
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The following description of the Savings Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

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The Plan is a defined contribution 401(k) savings plan covering most full and part-time employees of American Water Works Company, Inc. and its designated subsidiary companies (the "Company"). Eligible participants who are not included in a bargaining unit may enroll as soon as administratively possible. Effective July 1, 2001, eligible participants who are included in a bargaining unit may enroll as soon as administratively possible. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

### Contributions

During 2000 and through June 30, 2001, participants could contribute 15% of their annual compensation. The Company matched 50% of the first 4% of these contributions. Effective July 1, 2001, the maximum contribution rate was increased to 20%, and the Company began matching 50% of the first 5% of participant contributions. All Company matching contributions are invested in American Water Works Company, Inc. common stock. Contributions are subject to certain limitations.

### Participant Accounts

With the exception of the Company's contributions to the Plan, each participant may elect to have their contributions invested in any of the investment options offered by the Plan in multiples of 1%. The Plan provides for a diversification option that permits participants at age 50 to move assets attributable to Company matching contributions to any of the Plan's investment options. Each participant's account is credited with the participant's contributions and an allocation of the Company's contributions and Plan earnings. Allocations are based on participant contributions or account balances, as defined in the Plan. Benefits to which a participant is entitled are the benefits that can be provided from the participant's vested account.

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### Vesting

Prior to July 1, 2001, the Plan allowed for immediate 100% vesting of participant and Company contributions and earnings thereon, of all participants who are not included in a bargaining unit. Effective July 1, 2001, the Plan allows for immediate 100% vesting of the account balances of all participants who are included in a bargaining unit.

### Payment of Benefits

Participants may, upon attaining 59 1/2 years of age, elect to withdraw all or a portion of the value of their account. Upon termination of service for any reason, participants may elect to withdraw the value of their account, roll that account value over into a qualified plan or individual retirement account or defer this distribution until age 65. In all cases, unless earlier withdrawn, participants will receive the balance in their account upon the earlier of attaining age 65 if not then working for the Company, retirement after reaching age 65, death or total disability. Participants hired before July 1, 1999 may elect to receive a lump sum amount equal to the value of their account, an annuity, or a combination of both. Participants hired (or employed via a future acquisition and not covered by a prorated optional form of benefit) on or after July 1, 1999 may only receive a lump sum distribution. The Plan permits withdrawals on after-tax and rollover contributions at any time



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without restrictions.

### Forfeitures

Upon termination of employment, any unvested portion of an employee's account shall be placed in a suspense account for a period of five years, at which time amounts held in suspense are forfeited. Forfeitures are used to reduce employer contributions. Amounts held in suspense for the year ended December 31, 2001 were \$5,624.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Basis and Presentation

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The Plan's financial statements are presented on the accrual basis of accounting.

#### Use of Estimates

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires

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management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

#### Valuation of Investments

-----

Plan investments are stated at fair value. The Company stock is valued at its quoted market price on the valuation date. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Collective income funds are valued by the fund sponsor based on quoted market prices of the underlying investments.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

#### Contributions

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Participant contributions are recorded in the period during which the Company makes payroll deductions from the Plan participants' earnings. Matching Company contributions are recorded in the same period.

#### Payment of Benefits

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Participants' benefits are recognized in the Plan financial statements when

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paid.

NOTE 3 - INVESTMENTS

The following presents investments that represent 5 percent or more of the Plan's net assets.

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	December 31,	
	----- 2001	2000 -----
Registered investment companies:		
PIMCO Total Return Fund, 1,044,650 and 723,016 shares, respectively	\$10,927,036	\$ 7,512,135
Collective income funds:		
Merrill Lynch Equity Index Trust, 430,963 and 358,520 shares, respectively	34,735,623	32,901,349
Merrill Lynch Retirement Preservation Trust, 9,926,533 and 7,617,869 shares, respectively	9,926,533	7,617,869
Common stock:		
American Water Works Company, Inc. (Nonparticipant-directed), 1,583,801 and 1,393,217 shares, respectively	66,123,703	40,925,756

During 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the years) appreciated (depreciated) in value as follows:

	Year Ended December 31,	
	----- 2001	2000 -----
Registered investment companies	\$(2,574,158)	\$(2,074,633)
Collective income funds	(3,738,745)	(3,380,179)
Common stock	18,555,431	10,837,307
	-----	-----
Net appreciation in fair value	\$12,242,528	\$ 5,382,495
	=====	=====

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## NOTE 4 - NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31,	
	2001	2000
Net Assets:		
Investment in American Water Works Company, Inc. common stock	\$ 66,123,703	\$ 40,925,756
Employer's contribution receivable	285,478	272,390
Participants' contributions receivable	275,922	224,060
	-----	-----
Net assets available for benefits	\$ 66,685,103	\$ 41,422,206
	=====	=====
Changes in Net Assets:		
Dividend income	\$ 1,453,172	\$ 1,221,297
Net appreciation in fair value of investments	18,555,431	10,837,307
Employer contributions	3,410,856	2,958,055
Participants' contributions	3,000,092	2,546,969
Loan repayments from participants	343,854	249,662
	-----	-----
Total additions	26,763,405	17,813,290
	-----	-----
Benefit payments to participants	1,934,013	1,780,369
Loans to participants	529,685	441,856
	-----	-----
Total deductions	2,463,698	2,222,225
Interfund transfers	963,190	(464,510)
	-----	-----
Net increase	25,262,897	15,126,555
Net assets at beginning of year	41,422,206	26,295,651
	-----	-----
Net assets at end of year	\$ 66,685,103	\$ 41,422,206
	=====	=====

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## NOTE 5 - PARTICIPANT LOANS

Under the terms of the Plan, participants may borrow from their accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of their contributions to the Plan including earnings thereon. Loans are generally for

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a period not to exceed five years, payable in equal monthly installments, secured by the balance in the participant's account, and bear interest at a rate of prime plus 1%. Interest rates on loans outstanding ranged from 6% to 10.5% and 8.25% to 10.75% for the years ended December 31, 2001 and 2000, respectively. The maximum personal residence loan term is fifteen years for new loans, and prepayment of loans is permitted. Principal and interest is paid ratably through payroll deductions.

### NOTE 6 - HARDSHIP WITHDRAWALS

-----

Participants may withdraw all or part of their pre-tax contributions (excluding earnings) only under certain hardship conditions. A hardship withdrawal can only be requested after withdrawal of all rollover contributions and any loans available under the Plan have been obtained. Hardship withdrawals cannot be returned to the Plan and contributions cannot be made to the Plan for 12 months after a hardship withdrawal has been made.

The Plan permits withdrawals on after-tax and rollover contributions at any time without restrictions.

### NOTE 7 - ADMINISTRATIVE EXPENSES

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Although it has no obligation to do so, the Company paid substantially all administrative expenses of the Plan.

### NOTE 8 - PLAN TERMINATION

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Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

### NOTE 9 - FEDERAL INCOME TAX STATUS

-----

The Internal Revenue Service has determined and informed the Company by a letter dated March 14, 2002, that the Plan and related trusts are designed in accordance with applicable sections of the Internal Revenue Code ("IRC") and are, therefore, not subject to tax under present income tax law. The Plan has

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been amended since receipt of the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. In addition, management is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

### NOTE 10 - RELATED PARTY TRANSACTIONS

-----

Certain Plan investments are shares of mutual funds and units of collective income funds managed by Merrill Lynch Trust Company. Merrill Lynch Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

The Plan is interpreted and administered by a Retirement Plan Committee comprised of five members of management of American Water Works Company.

### NOTE 11 - NET ASSET TRANSFERS IN

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On September 29, 2000, net assets of \$1,903,611 from the Continental Water Company Group Employee Savings Plan for Northwest Indiana Water Company and Northern Illinois Water Company merged with and into the Plan.

On October 1, 2001, net assets of \$6,885,016 from the Continental Water Company Group Employee Savings Plan for Long Island Water Company and St. Louis County Water Company Employee Savings Plan merged with and into the Plan.

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Schedule I  
SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES

Schedule of Assets  
(Held at End of Year)

December 31, 2001

Shares/Units	Issue	Cost	Current Value
N/A	Cash and cash equivalents	\$ 32,417	\$ 32,417
	Registered investment companies:		
1,044,650	PIMCO Total Return Fund	10,714,958	10,927,036
157,363	Franklin Small Cap Growth Fund-Class A	5,361,827	4,905,039
78,459	Van Kampen Emerging Growth Fund	5,510,027	3,320,391
172,821	Merrill Lynch International Index Fund*	1,922,577	1,489,716
	Collective income funds:		
430,963	Merrill Lynch Equity Index Trust*	38,079,607	34,735,623
9,926,533	Merrill Lynch Retirement Preservation Trust*	9,926,533	9,926,533
	Common Stock:		
1,583,801	American Water Works Company, Inc.*	39,091,502	66,123,703
	Interest Rate		
6% to 10.5%	Participants' loans receivable	-	3,270,323
		\$110,639,448	\$134,730,781

\*Represents "party-in-interest" for the purposes of Form 5500.

Schedule II  
SAVINGS PLAN FOR EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES

Schedule of Reportable Transactions

For the Year Ended December 31, 2001

(Individual or series of transactions in one issue aggregating 5%  
or more of the value of Plan assets as of January 1, 2001)\*

Identity of Party Involved	Description	Number of Transactions	Purchase Price	Sales Proceeds	Cost of Assets	Current Value on Transaction Date	Ga
American Water Works Company, Inc.	American Water Works Company, Inc.	144	\$11,561,578	-	-	\$11,561,578	
American Water Works Company, Inc.	Common Stock	283	-	\$8,287,675	\$8,021,411	8,287,675	\$2

\*Other investment fund transactions are participant-directed, and therefore do not need to be con purposes of preparing this supplemental schedule.

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Independent Accountants

Exhibit 23 Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-52309) of American Water Works Company, Inc. of our report dated June 14, 2002 relating to the financial statements of the Savings Plan for Employees of American Water Works Company, Inc. and Its

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Designated Subsidiaries, which appears in this Form 11-K.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
June 27, 2002