

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2010-00036
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION**

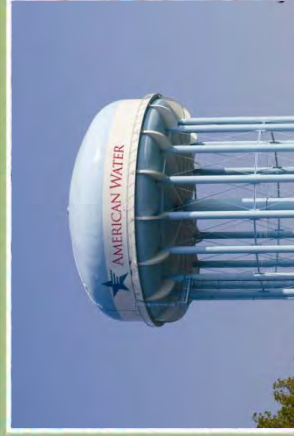
Witness: **Michael A. Miller**

435. Please provide copies of all presentations made to rating agencies and/or investment firms by American Water Works Company ("AWWC") and/or Kentucky American Water Company ("KAWC") between January 1, 2009 and the present.

Response:

Please see the attached presentations.

For the electronic version, refer to KAW_R_AGDR1#435_042610.pdf.



AMERICAN WATER

Investor Conference December 7, 2009





AMERICAN WATER

Introduction

Ed Vallejo
Vice President Investor Relations



Investor Conference
December 7, 2009

Cautionary Statement Concerning Forward-Looking Statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.

Presenters and Agenda



12:35 p.m. - 1:15 p.m.
Donald Correll
State of the Industry
and Strategy



1:15 p.m. - 2:30 p.m.
Walter Lynch
Regulated Operations
Overview



1:15 p.m. - 2:30 p.m.
Kathy Pape
Regulated Operations
PA Overview



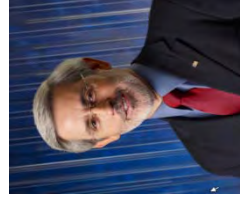
1:15 p.m. - 2:30 p.m.
John Bigelow
Regulated Operations
NJ Overview



2:30 p.m. - 3:00 p.m.
Bill Patterson
Business Development



3:15 p.m. - 4:00 p.m.
Mark Struass
Non Regulated
Operations



4:00 p.m. - 4:30 p.m.
Mark LeChevallier
CR - Environmental
Stewardship



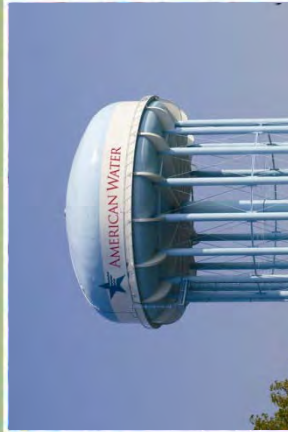
4:45 p.m. - 5:15 p.m.
Paul Foran
Rates and Regulation
Overview



5:15 p.m. - 6:00 p.m.
Ellen Wolf
Financials - Current
Rate Cases



6:00 p.m. - 6:10 p.m.
Edward Vallejo
Investor Relations
Overview



AMERICAN WATER

American Water Overview

Don Correll
President and Chief Executive Officer



Investor Conference
December 7, 2009

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

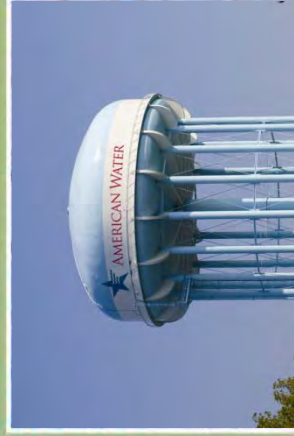
Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

Proven Management

*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*

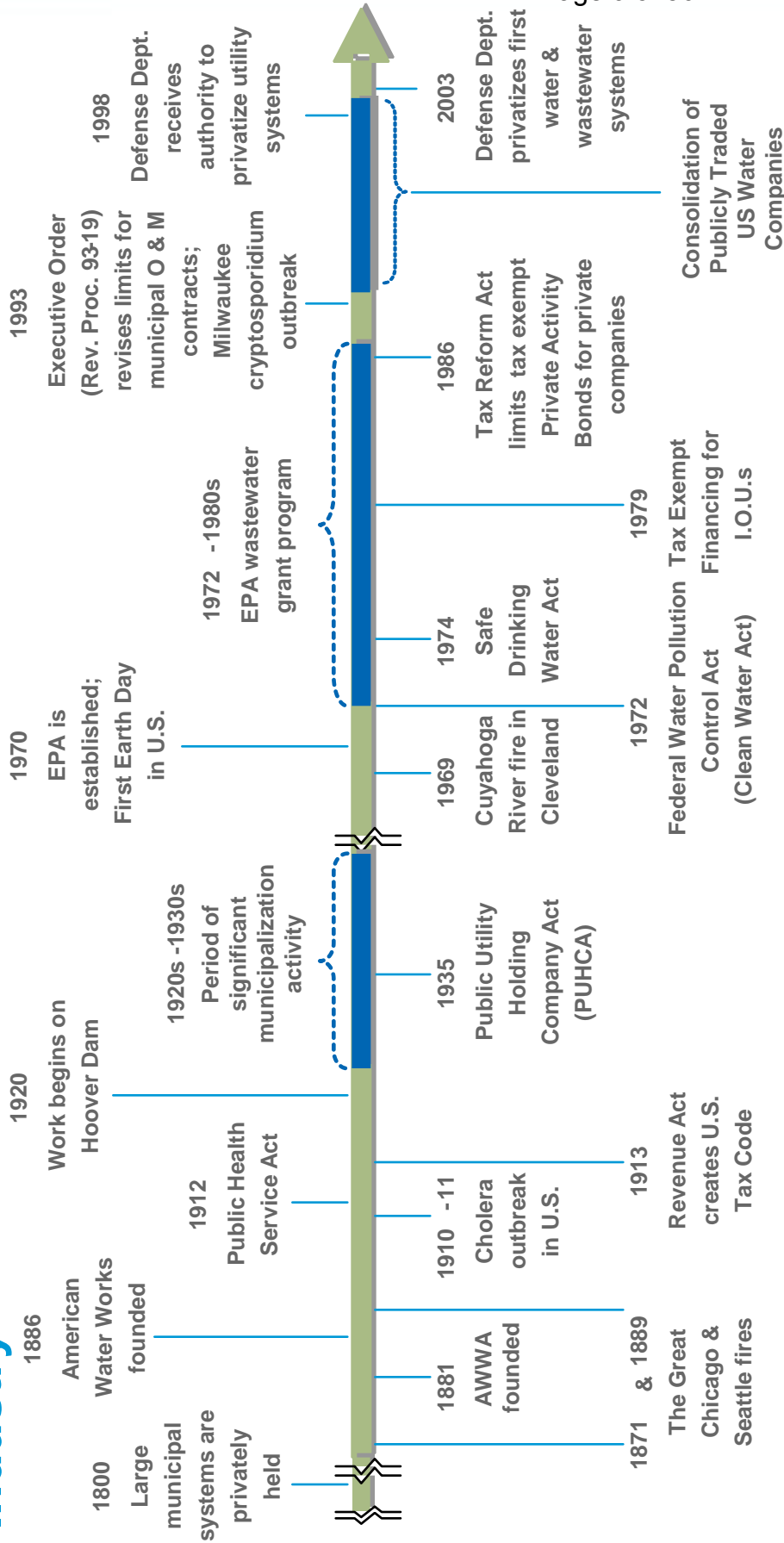


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The US Water Industry

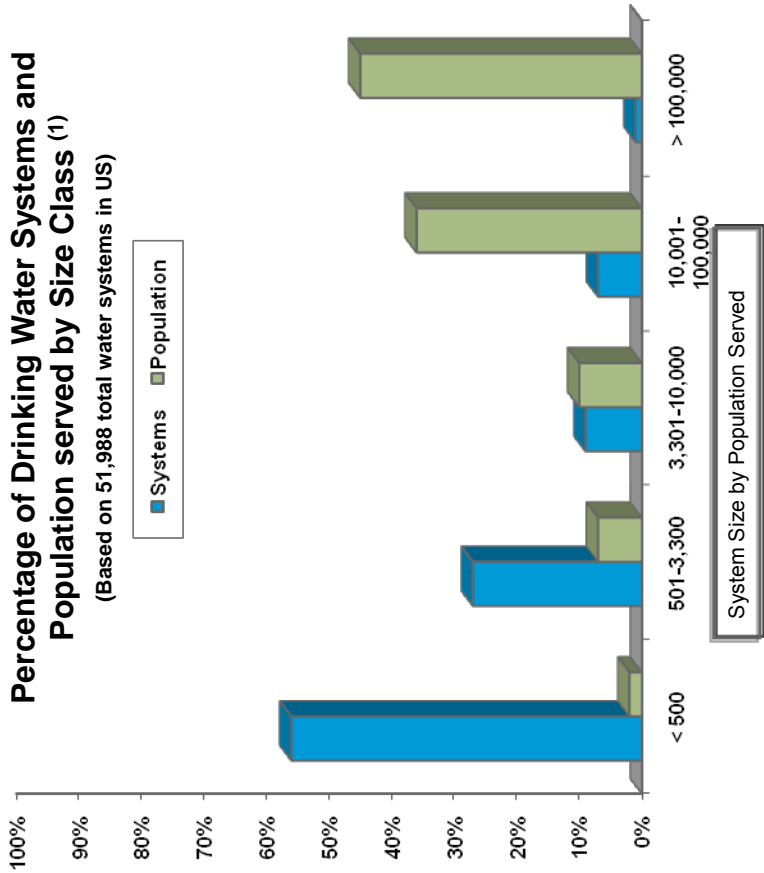


Water Industry Milestones: Events that Shaped U.S. Water Industry

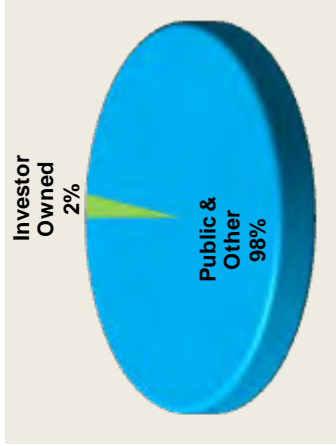
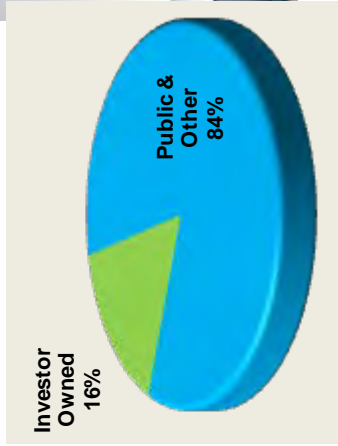


The US Water Industry remains highly fragmented and with limited Investor ownership

Percentage of Drinking Water Systems and Population served by Size Class (1)
(Based on 51,988 total water systems in US)



(1) Source: EPA, Drinking and Ground Water Statistics, 2008.



The majority of water systems in the US are owned by capital constrained entities

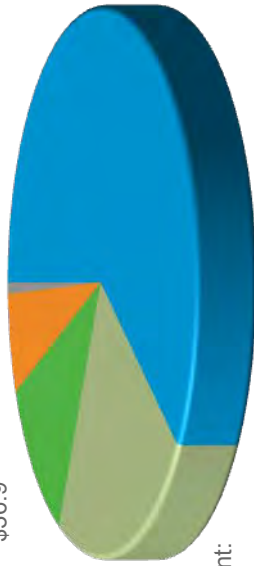
Aging US Infrastructure Investment Remains Critical

US EPA Estimated 20 Year Total Needs of US Public Water Systems

Total: \$334.8 Billion

Source: Other: \$19.8 \$2.3

Storage: \$36.9



Treatment: \$75.1

Transmission & Distribution: \$200.8

- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

REPORT on America's INFRASTRUCTURE

HOME * REPORT CARDS * STATES * CATEGORIES * SOLUTIONS * TAKE ACTION * NEWSROOM * SEARCH

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

2009 GRADE: D-

WATER AND ENVIRONMENT DRINKING WATER

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$390 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

2009 GRADE: D-

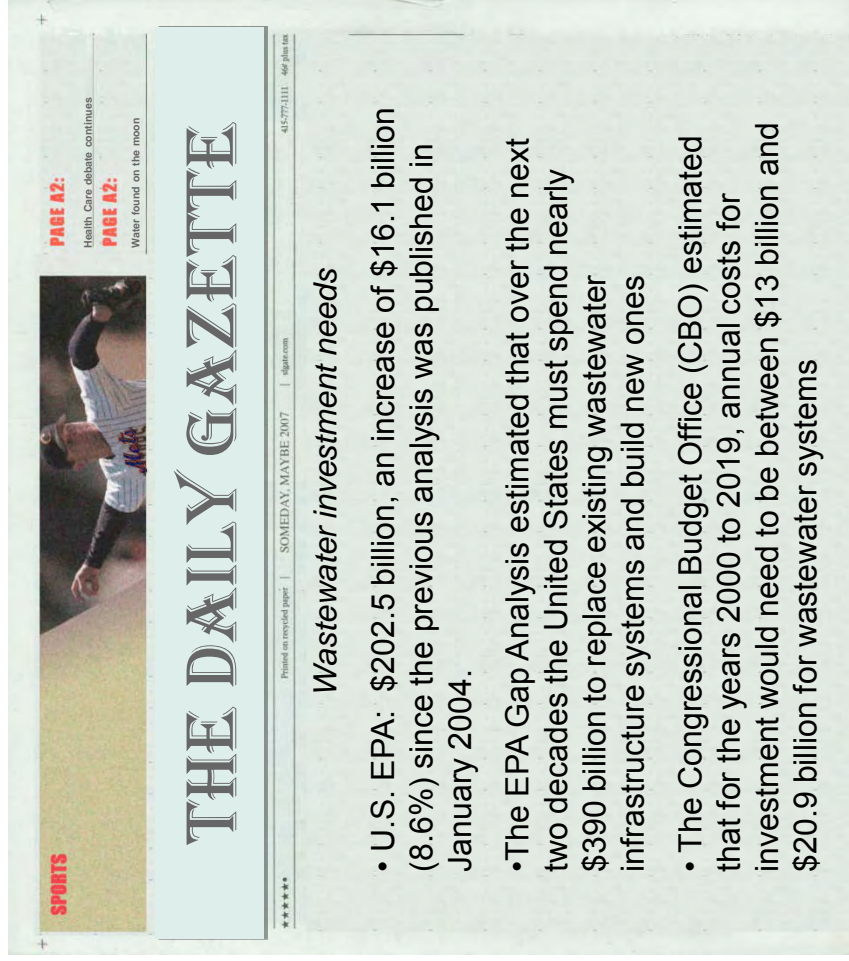
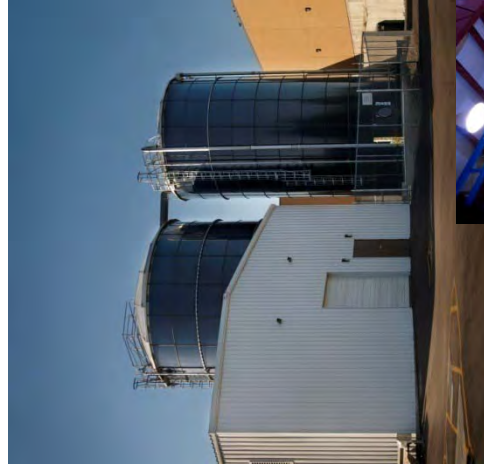
WATER AND ENVIRONMENT WASTEWATER

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment. In billions, adjusted to January 2007 dollars.

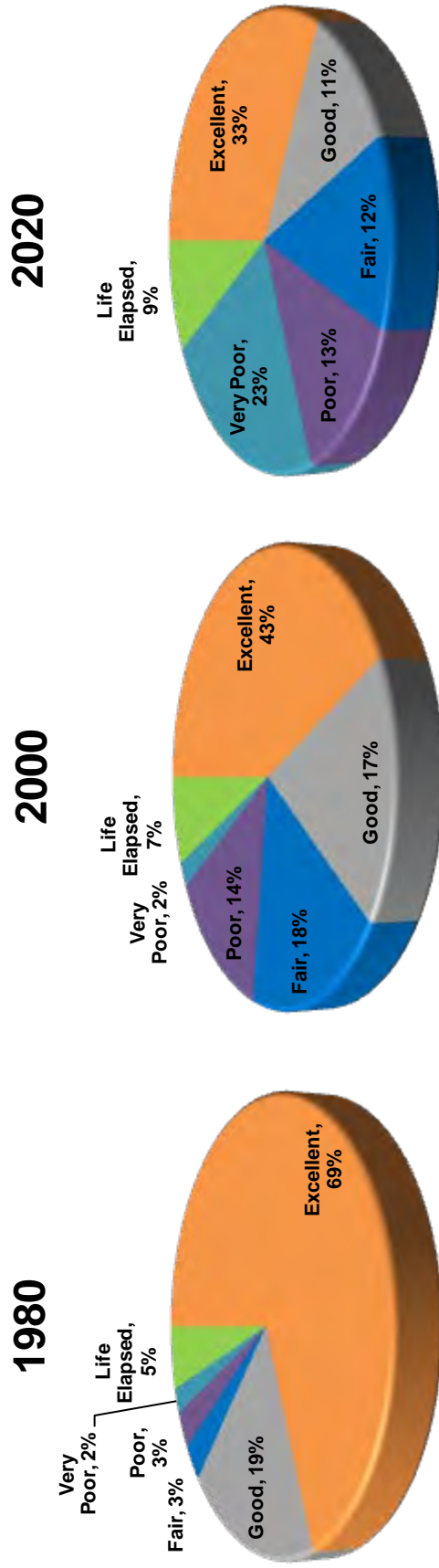
US EPA estimates upwards to \$1 trillion needed of US public water and wastewater systems

The physical condition of many of the nation's 16,000 wastewater treatment systems is also poor due to lack of investment



Aging pipe infrastructure network propels need for Capital Expenditures

Percentage of Pipes by Classification

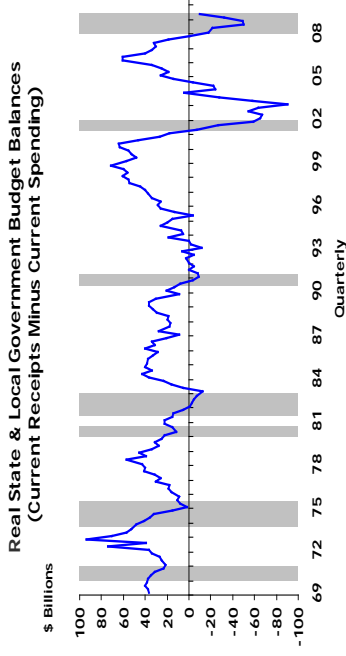


Without renewal or replacement of existing systems, pipe classified as poor, very poor or life elapsed will increase from 10% to 44% by 2020

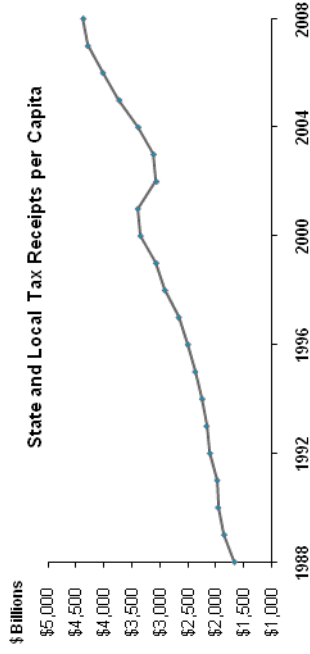
Source: American Water Works Association, Dawn of the Replacement Era: Reinvesting in Drinking Water Infrastructure, May 2001

Municipalities are facing economic challenges that may not allow needed infrastructure spending

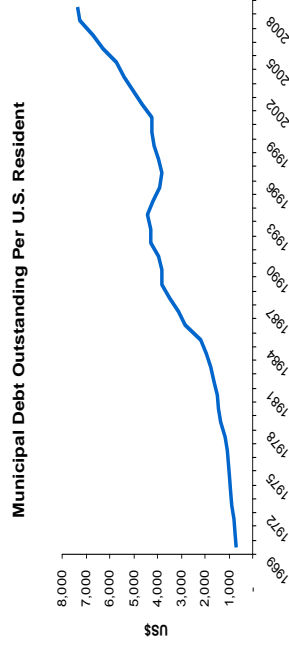
- State and local government budget balances have recorded largest percentage decreases in last 50 years*



- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels



- Offsetting funding shortfalls by increased debt borrowings may also not be viable in current economic climate



* Shaded Area = Recession.
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates).

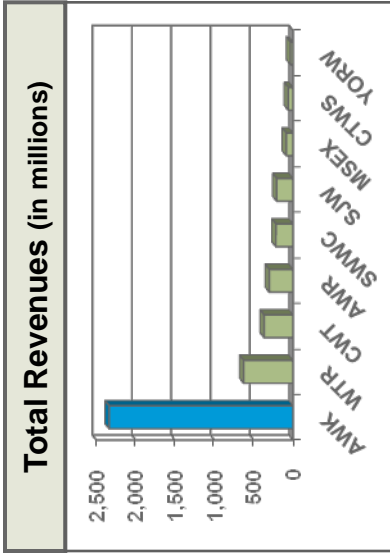


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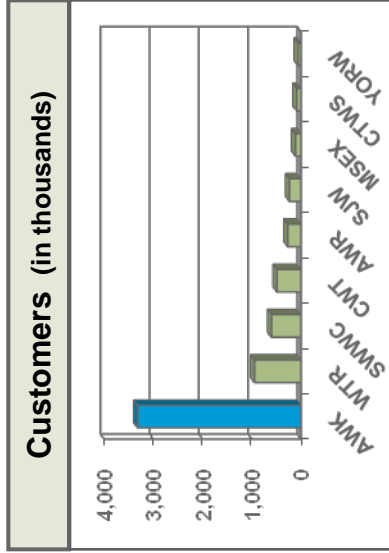
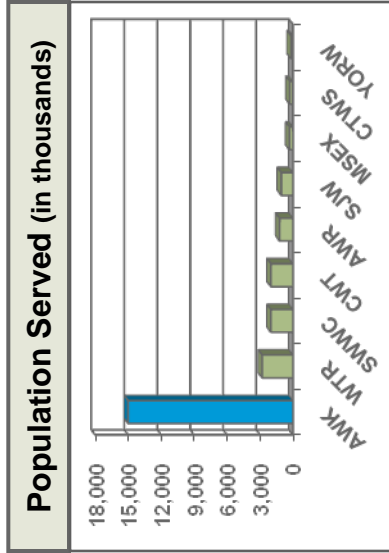
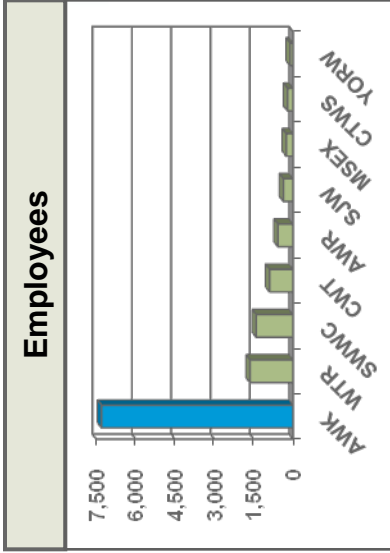
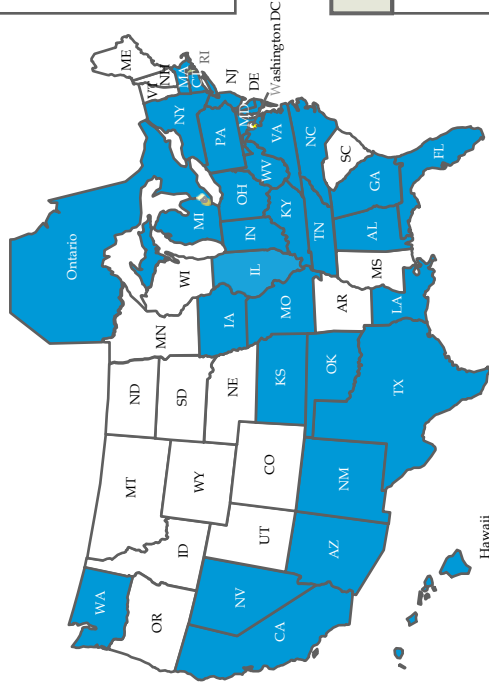
American Water



The Largest Water Services Provider in North America



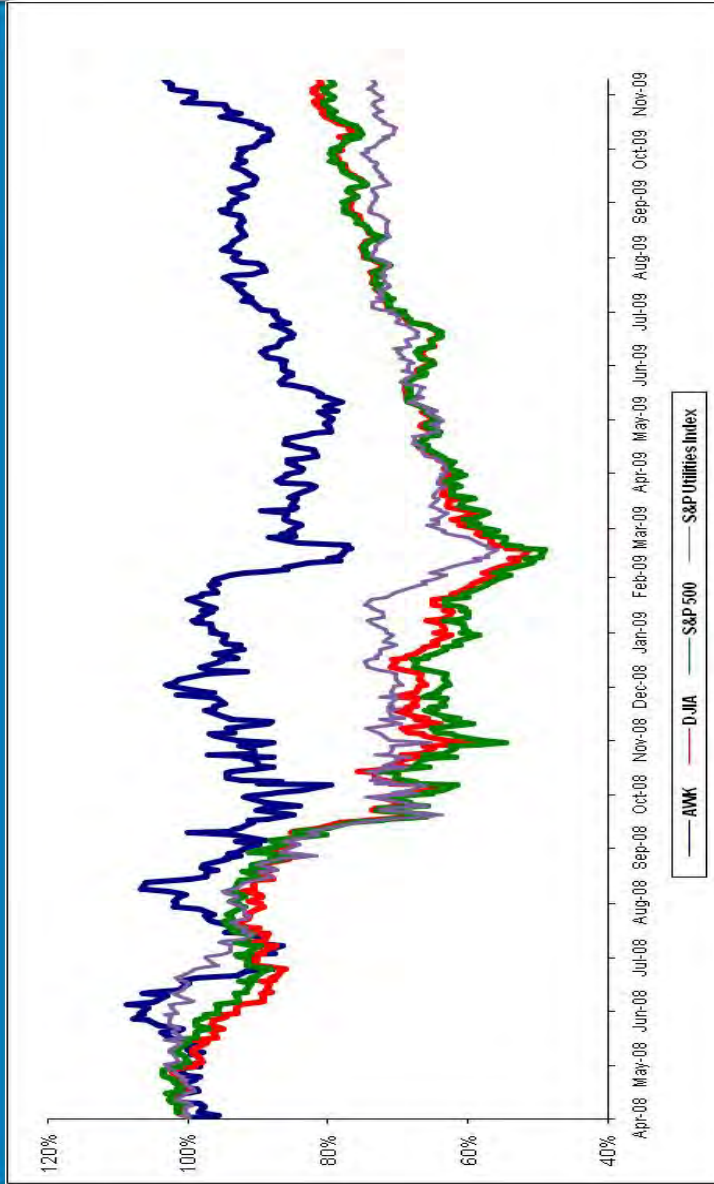
American Water's National Presence



Notes:
 All data is as of December 31, 2008.
 Population served for WTR, CWT, AWR, and CTWS is estimated.

American Water Market Statistics

Relative Stock Price Performance
(4/23/08 – 11/30/09)

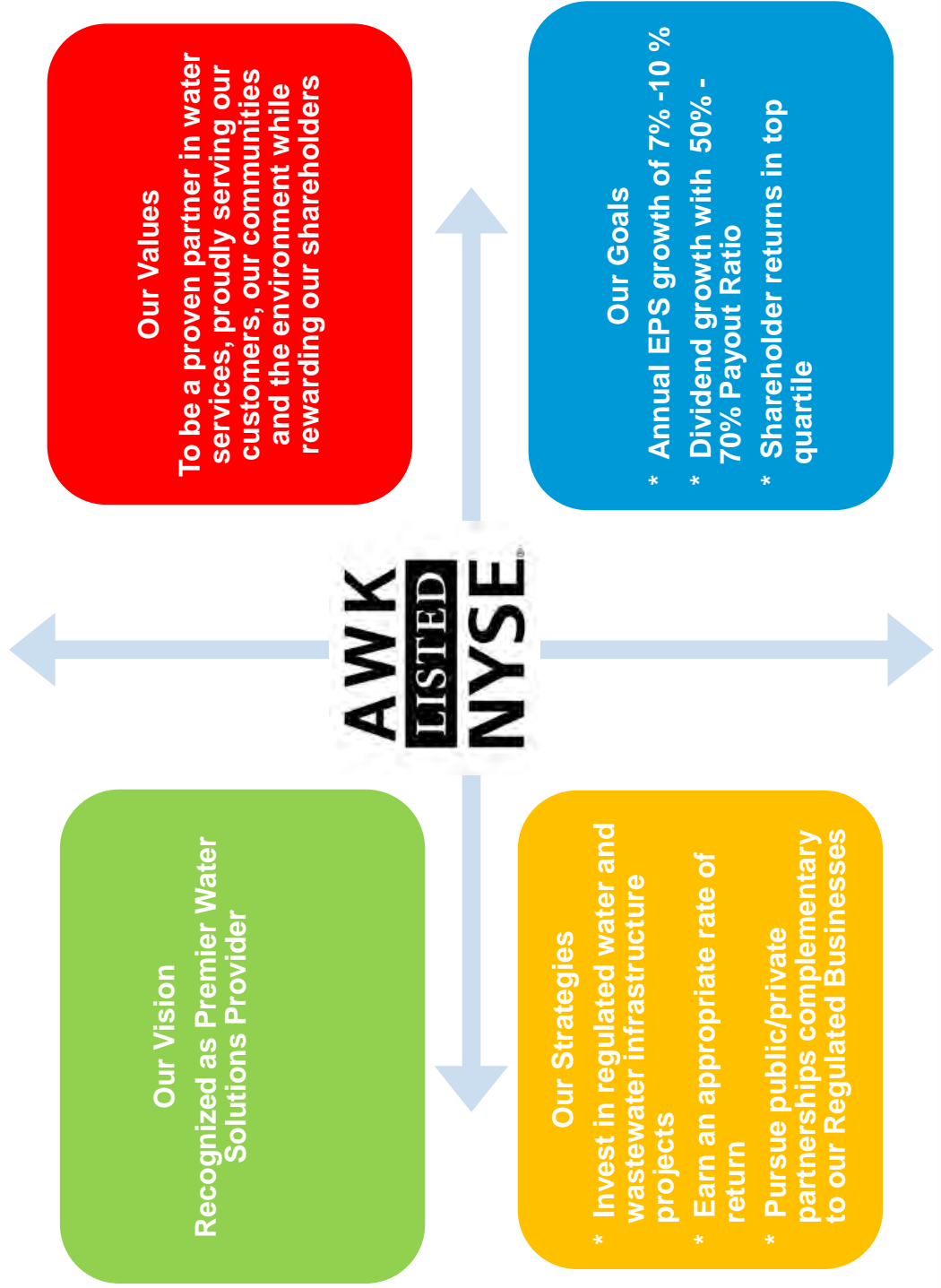


Key Statistics (as of 11/30/09)

Share Price:	\$22.24
Avg Shares Outstanding – diluted (MM):	174.69
Market Capitalization (MM):	\$3.885
Net Debt (MM):	\$5.344
Enterprise Value (MM):	\$9.229
Dividend Yield:	3.78%

From the time of its IPO to November 30, 2009 American Water has outperformed the DJIA, the S&P 500 and the S&P Utilities Index

What we stand for



Our Strategic Direction

Realizing Today's Value

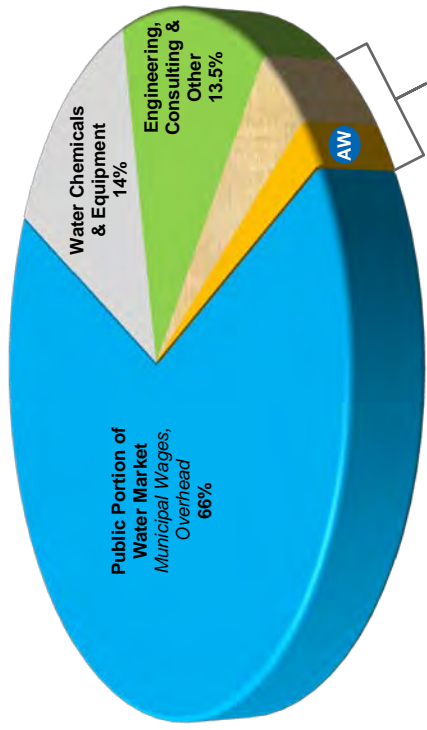
- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies



American Water comprises approximately 2.2% of the \$100 Billion U.S. Water Market



Revenue from Regulated Private Utilities - 6.5%

- Services Provided**
- Private Ownership
 - Operations & Maintenance
 - Design/Build/Operate
 - Water Line Protection

- Markets Served**
- Municipalities
 - Residential
 - Commercial
 - Industrial
 - Military

American Water provides innovative solutions to address the Industry's needs

Sources: Public Works Financing 2004, Environmental Business Journal, Global Water Intelligence and AWK SEC filings

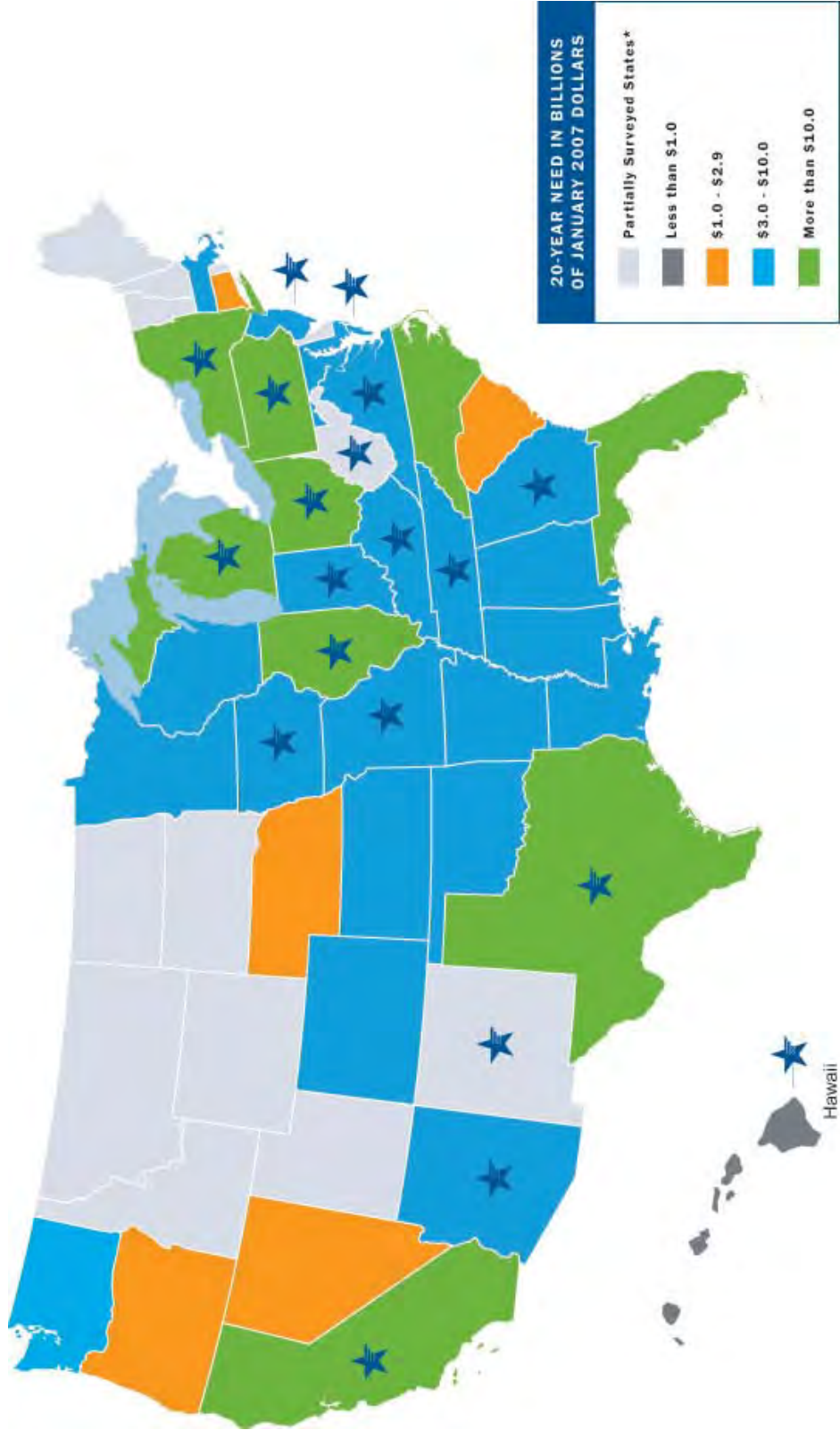
American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services



Investment needs are larger in heavily-populated & fast growing areas that closely mirror American Water's footprint



Note: Does not include needs for American Indian and Alaskan Native Village water systems.

American Water is active in promoting constructive regulatory frameworks for the industry

In partnership with Congressional Water Caucus, U.S. Chamber of Commerce, and U.S. Conference of Mayors, American Water is at forefront of considering regulations to help the water industry

- Lift the cap on private activity bonds for water infrastructure (approve HR 537)
- Strengthen the State Revolving Fund system
- Leverage local and private investment through federal investments
- Employ a sustainable model for water infrastructure



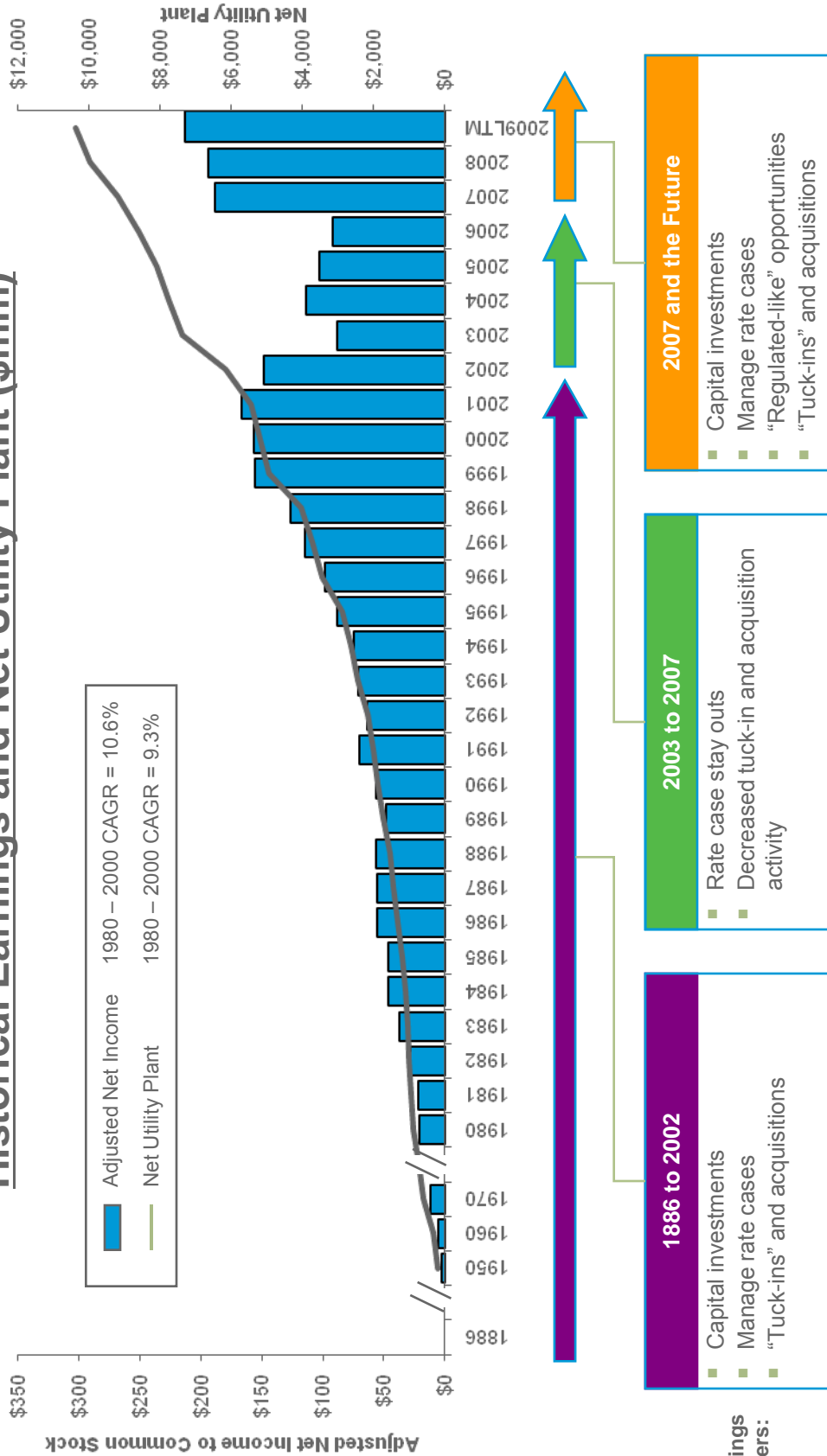
Don Correll addresses the Congressional Water Caucus as CEO Greg Hyland of Mueller Water Products, and former Augusta, Ga. Mayor Bob Young observe



THE UNITED STATES CONFERENCE OF MAYORS
The Voice of America's Mayors in Washington, DC

The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 *Last Twelve Month (LTM) period ending 9-30-2009.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 †Town included from 2003 onward. NEI included from 1999 onward.

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

Proven Management

*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Regulated Operations

Investor Conference
December 7, 2009



Management Team

Walter Lynch

President of Regulated Operations
Utility Industry Tenure: 16 years

Kathy Pape

President Pennsylvania American Water
Utility Industry Tenure: 32 years

John Bigelow

President New Jersey American Water
Utility Industry Tenure: 30 years



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Regulated Business: Overview

Walter Lynch
President of Regulated Operations



Investor Conference
December 7, 2009

Regulated Business – The main component of the overall American Water strategy

Realizing Today's Value

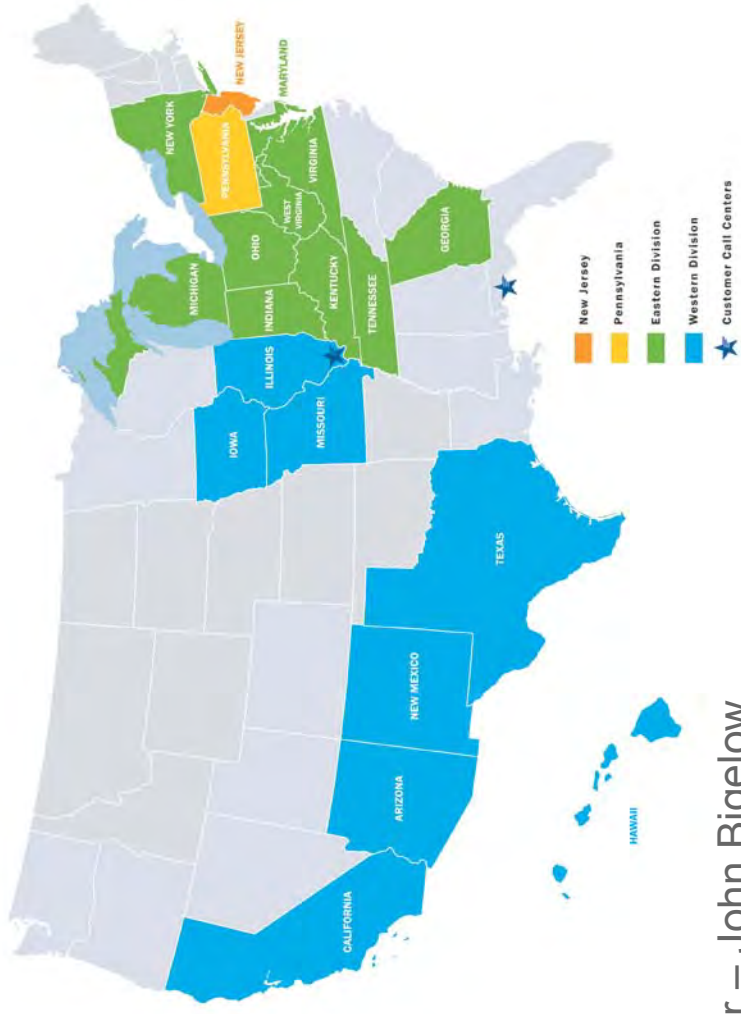
- ✓ Earn an appropriate rate of return on our investments
- ✓ Promote constructive regulatory frameworks
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- ✓ Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- ✓ Efficiently allocate capital to regulated water and wastewater investments
- ✓ Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- ✓ Focus on operating efficiencies

Operations Organized for Efficiency

- Eastern – Nick Rowe
 - 10 states
 - 7 state presidents
 - 840,020 customers
 - 1,301 employees
- Western – Walter Lynch
 - 8 states
 - 5 state presidents
 - 1,186,409 customers
 - 1,989 employees
- New Jersey American Water – John Bigelow
- Pennsylvania American Water – Kathy Pape
- Customer Service – Meg Neafsey
 - 2 Call Centers - Alton, Pensacola
 - 680 employees



American Water Regulated Operations Overview

Regulated Businesses :

- \$2,177 mm in Regulated Revenue LTM ⁽¹⁾
- \$580 mm in Adjusted EBIT⁽²⁾
- 88% LTM American Water Operating Revenue
- Approximately 5,600 employees serving 1,600 communities in 20 Regulated states
- Assets owned
 - 48,000 miles of pipe
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams

State	Customers Served	2008 Revenues (\$ in millions)
New Jersey	643,330	\$517.7
Pennsylvania	648,958	447.9
Illinois	307,734	187.5
Missouri	456,887	181.1
Indiana	283,886	156.4
California	170,853	128.6
West Virginia	170,404	115.7
Other	639,663	347.8
Total Regulated Business	3,321,715	\$2,082.7

- Largely residential customer base promotes consistent operating results
- Geographic presence hedges both weather and regulatory risk
- Scale enables multiple growth opportunities across service areas

(1) Revenues and Adjusted EBIT are LTM as of September 30, 2009.
 (2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.



Business Environment

- Housing market decline continues to slow organic growth in the regulated segment
- Continued decline in water usage per customer
 - Low-flow fixtures
 - Declining family size
 - General conservation
 - Downward trend has accelerated in most states since the late 1990s
- Slow economic recovery by industrial and commercial customers
- Regulators continue to balance need for rate adjustments
 - High unemployment creates sensitivity
 - Impacts of conservation
 - Importance of infrastructure replacement recognized by regulators



Regulatory Strategy

- **Earn an appropriate rate of return on our investments**
 - Minimization of regulatory lag
 - Prudent capital investment
 - Customer service
- **Maintain relationships with Public Utility Commissions in each state**
 - Built on trust
 - Appropriate communications with both staff and Commissioners on constructive regulatory frameworks
 - Regulatory compact
- **Continue to drive operational efficiencies in every facet of our business**

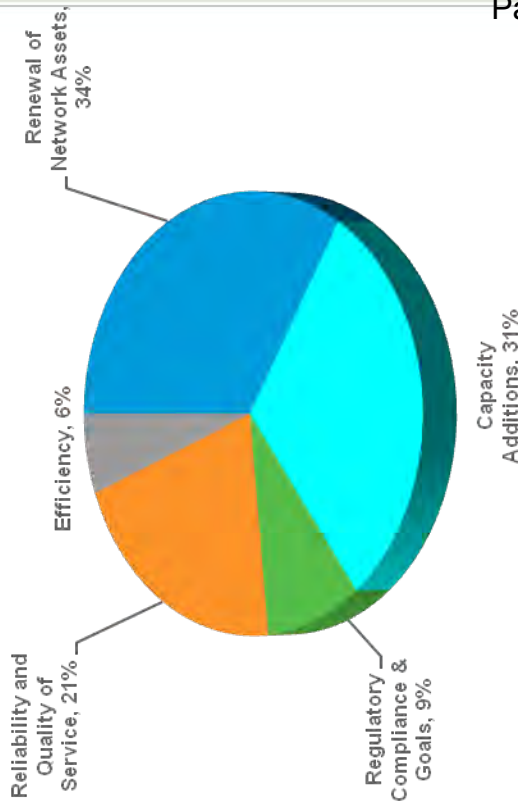
Overview of Planned Capital Expenditures

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013

- Capital program focused on

- Infrastructure replacement
- Capacity projects
- Source of supply needs
- Acquisitions
- Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Short Hills, NJ
 - Coatesville, PA

Projected Capital Expenditures

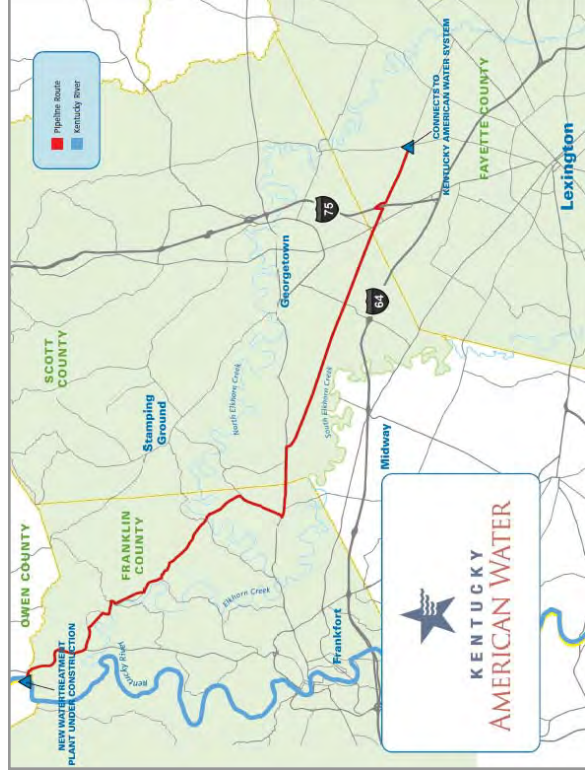


Projected Net Capex⁽¹⁾ of \$4.0 - \$4.5 billion (2009-2013)

(1) Net capex defined as gross capex less advances and contributions in aid of construction.

Water Solutions Provider

- **Kentucky – ensuring water sustainability**
 - Approximately \$162 million investment
 - 20 million gallon a day plant
 - 31 miles of main
 - More than 75% complete



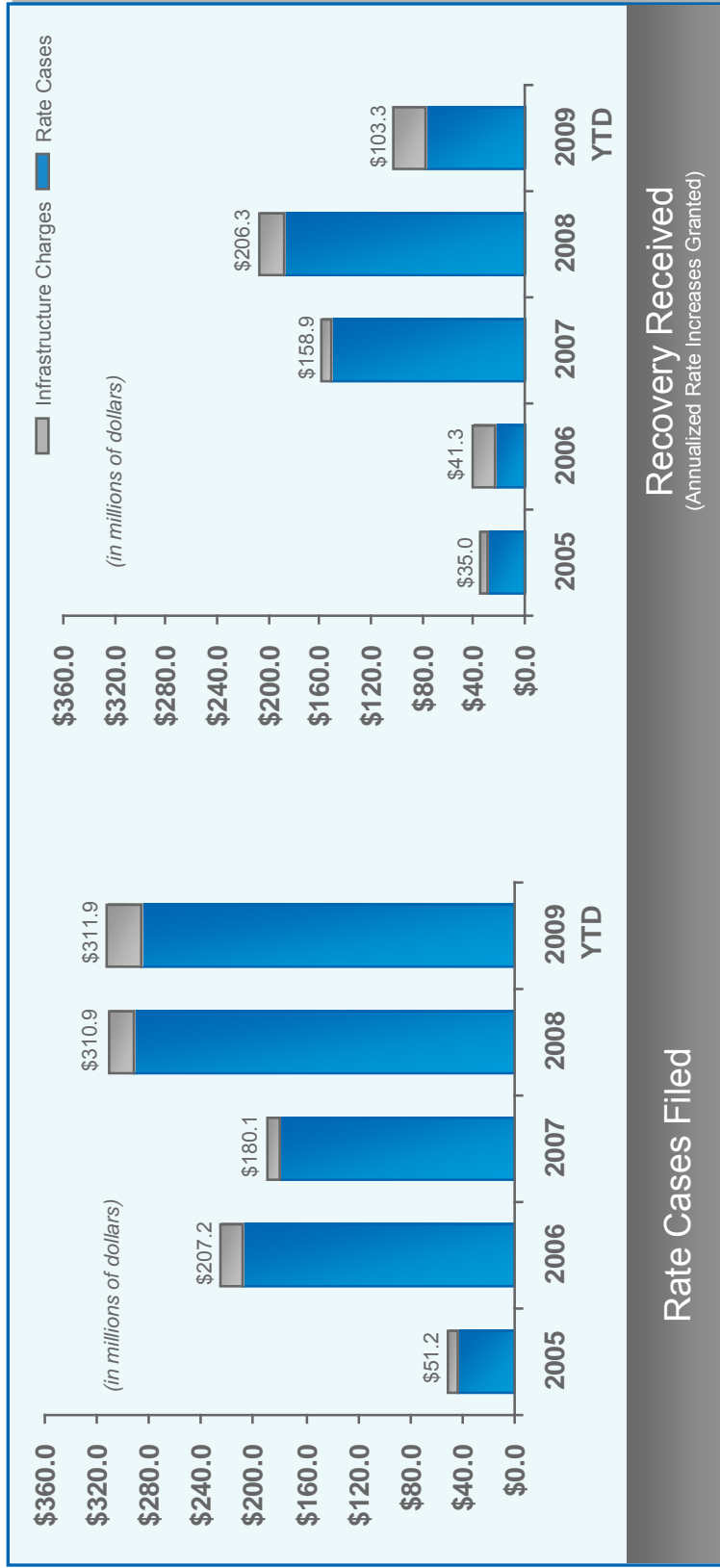
Pipeline Route

- **West Virginia – ensuring water quality**
 - \$2.2 million Public/Private Partnership
 - Service to 150 homes



West Virginia Governor Joe Manchin (left) and West Virginia American Water President Wayne Morgan (right) break ground

Continued Effort to Earn an Appropriate Rate of Return on Investments



- Infrastructure charges of \$26.4 million (annual revenues) authorized this year in eight states (PA, IL, IN, MO, CA, OH, NY, AZ)
- As of November 30, 2009: rate cases awaiting final order in 8 states, providing \$218.3 million revenues if approved as filed
- AWK subsidiaries have received authorized ROEs in the range of 10.0% to 10.8% from rate orders during the last year

Benefits of Strategic Sourcing at American Water

- Creating value through our Supply Chain
 - Obtain the most competitive prices for products and services by using cross-functional teams and analytical tools to make better buying decisions
 - Achieved 51% diverse supplier participation in 2008
- Leveraging economies of scale
 - Consolidate purchasing for all regulated and non-regulated subsidiaries drive down costs significantly
 - In 2008, achieved \$42 mm savings of \$520 mm spend (8%)
 - Valves, hydrants, and meters purchased at 50% discount to distributor pricing; pipe at 25% and chemicals at 15%
 - Others in the Industry cannot achieve these levels of cost reductions
- Lowering risk
 - Fixed pricing/multi-year contracts lock in costs and consistent contract terms

Quality Control and Research Laboratory in Belleville, IL

- Opened in 1981 and known as one of the most comprehensive water chemistry laboratories in the world
- Run over 1 million sophisticated tests and measurements annually
- Continuous monitoring of the quality and security of our water supplies, treatment facilities and distribution pipe networks
- Achieve drinking water compliance level of 99.99%
- Realize cost savings with a central laboratory – 30%
- Recipient of nearly 100 awards for research and detection
- Collaboration with prominent researchers, universities and the United States Environmental Protection Agency to provide input to federal standards pursuant to the Safe Drinking Water Act



Meeting our Customers Needs and Expectations

- Two Customer Service Centers
 - Alton, IL and Pensacola, FL
 - 4.2 million calls last year
 - 24/7 customer care
- Billing
- Collections
- Quality Operations & Performance
- Business Services
- Process Development



Continued Focus on Improving Customer Service

- **Customer Service Centers (CSCs) focus on first call resolution**
 - 27% of initial contacts result in field service orders
 - Close alignment among CSCs, Field Resource Coordination Centers (FRCCs) and Field Service Representatives (FSRs) to establish clear accountability
- **Service quality surveys reflect renewed focus on customer service**
 - 87% of customers extremely satisfied or very satisfied (goal: 85%)
- **Web Self Service Project recently implemented with great success**
 - Developed in response to customer requests for self service option
 - Customers can initiate or discontinue service, make payments, check account balance and update their accounts online
 - Initial results show approximately 50,000 registered customers, with no external marketing of the tool



Accomplishments in 2009: Executing on Our Strategy

- ☑
 - **Capital Invested**
 - Approximately \$593 million in the first three quarters of 2009

- ☑
 - **Rate Authorizations Granted**
 - \$68.3 million additional annual revenue granted through November 7, 2009, including:
 - Pennsylvania \$30.8 million (general rate case) in 2009
 - California \$13.0 million⁽¹⁾ (general rate case) in 2009
 - Kentucky \$10.3 million (general rate case) in 2009
 - Iowa \$6.1 million (general rate case) in 2009⁽²⁾
 - Infrastructure surcharges (Various States): \$26.4 million
 - Averaging greater than 10% return on equity in rate orders received

- ☑
 - **Rate Cases Awaiting Final Order as of November 7, 2009**
 - \$239.2 million in additional annual revenue from 9 additional states

- ☑
 - **Growth**
 - Progress with acquisition of system in four municipalities outside Trenton, NJ
 - Four systems in Pennsylvania
 - One system in Indiana
 - In discussions with more than 50 municipalities

(1) Excludes staged increases.

(2) Final order issued 10/9/09 for \$6.1m, with refunds to be made to customers for difference from interim rates (\$6.8m additional annual revenues) implemented in July.



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Pennsylvania American Water Overview

Kathy L. Pape
President, Pennsylvania American Water



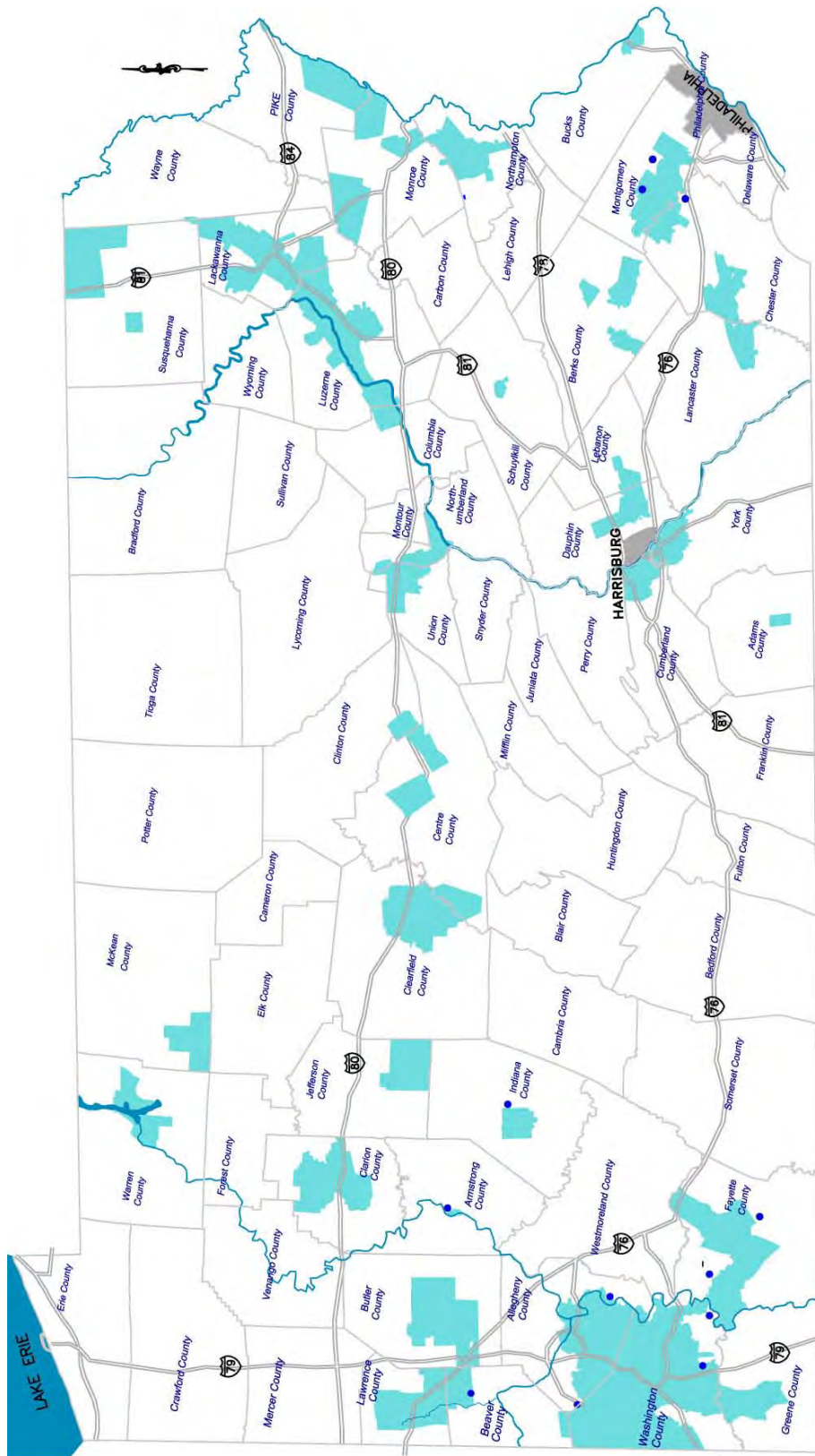
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Pennsylvania American Water is about Conversion

- **Converting raw water into potable water service**
- **Converting funding from shareholders and bondholders into ...**
 - Prudent investments in capital projects (e.g. plants, pipe upgrades)
 - Dividends for shareholders



Pennsylvania American Water Service Area

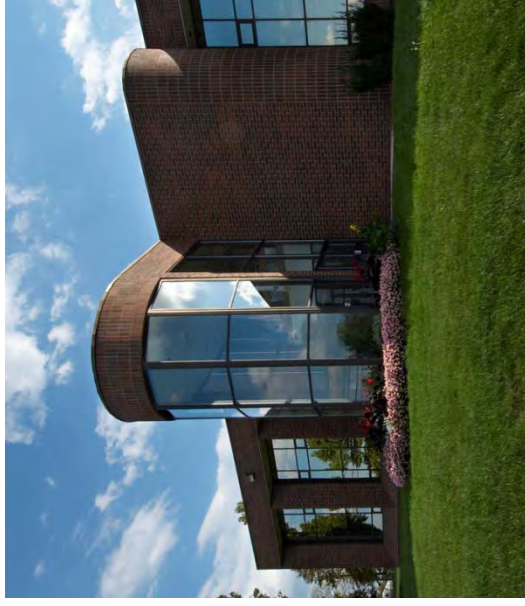


Serving 16 percent of the Commonwealth's population



Pennsylvania American Water at a Glance

Employees	>1,000
Customers	652,500 (92% Residential)
Population Served	>2.0 Million
Municipalities & Counties Served	>380 Municipalities in 35 counties
Water Sales (2008)	51 BGY (140 MGD)
Average Customer Monthly Bill	\$46.14 (based on 4,200 GPM)
Revenues (2008)	\$447.9 Million
Credit Rating	BBB+





Pennsylvania American Water Infrastructure



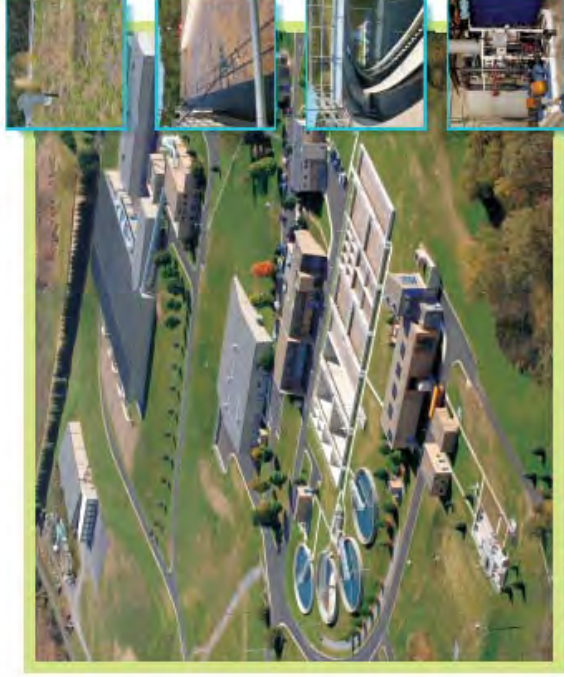
Surface Water Treatment Plants	36 (combined average daily delivery of 216 MGD)
Regulated Dams & Reservoirs	63
Wells	85
Tanks	274
Ops Centers	12
Water & Sewer Mains	9,800 miles (2" to 48" diameter)
Aging Pipes	15% of pipes over 100 years by 2020
Valves	159,000
Hydrants	35,500

Sustainable Water Infrastructure Task Force

Recommendations

- Full-cost pricing for water/wastewater service
- Require asset management
- Implement Collection System Improvement Charge (CSIC)
- Regionalization
- Improved customer education

Creating a Sustainable Solution *for Pennsylvania*



November 1, 2008

Edward G. Rendell, Governor

Governor's Sustainable Infrastructure Task Force Report

The Governor's Sustainable Infrastructure Task Force was supported by the Pennsylvania Department of Environmental Protection.

This report was crafted by the Task Force and is comprised of input collected at eight public meetings conducted throughout Pennsylvania and the independent research and analysis performed by each of the five Work Groups.

Making Needed Capital Investments Across PA

- **Water and Wastewater Treatment Plant Improvements**
 - Coatesville Wastewater Plant Expansion: \$55 million
 - Increasing capacity from 3.85 to 7 MGD
 - West Shore Regional Water Treatment Plant construction and system integration: \$60 million



Coatesville Wastewater Treatment Plant Upgrade

- **Dam Rehabilitation**

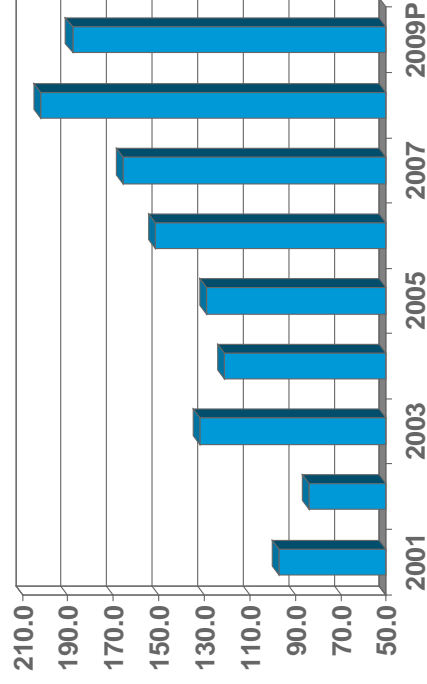
- Watres Dam and Reservoir, Scranton-Wilkes-Barre: \$10.2 million

- **Water Main Replacement**

- Approx. 175 miles of aging pipe replaced in 2007-2008

- **Water and Sewer Main Extension**

- Mt. Pleasant, Washington County: \$12 million
- Hanover-Collier, Allegheny & Washington Counties: \$2.5 million
- East Fallowfield, Chester County: \$1.9 million



Acquisitions in 2008 and 2009

System Acquired	Type	Closed
Mountain Top Estates	water	5/30/2008
Claysville-Donegal Joint Municipal Authority	water and wastewater	7/31/2008
Three Lane Utilities	water	9/10/2008
Clarion Area Authority	wastewater	10/30/2008
Boggs Township Municipal Authority	water	9/10/2009
Amwell Township Water Authority	water	9/23/2009
Wallaceton Municipal Authority	water	10/01/2009
Saxonburg Area Authority	water	10/28/2009



Customer Focus: H2O Help to Others Program™

Established in 1991, H2O offers services to qualified customers:

- Grants of up to \$500 per year
- 65% discount on monthly service fee
- Water saving devices and education

Funding for the program

- Customer and employee donations
- Matching stockholder contribution
- Fundraising activities

Provided more than \$1.6 million in grants to 9,136 families



Focus on Community and the Environment

Environmental Education, Community Involvement Programs

- “Protect Our Watersheds” Art Contest
- Environmental Grant Program
- Firefighting Support Grants
- Presentations to Schools and Civic Groups



Industry Leader and Environmental Steward

- **Recycling Residual Waste - 97 percent of water treatment residual materials (solid and liquid) beneficially reused**
 - Residue applied for agriculture/horticulture use
 - Enables growing of biofuels on brownfield sites
 - Saves valuable landfill space
 - Reduces discharge into rivers and lakes
 - Avoids cost of shipping residuals to landfills
 - Enhances environmental education programs
 - Aids beautification projects by school and community groups
- **Water Quality Excellence - 27 water treatment plants have earned EPA Partnership for Safe Water's Five-Year Directors Awards**
- **Dam Safety/Inspection - 2009 Northeast Regional Award of Merit from Association of State Dam Safety Officials**

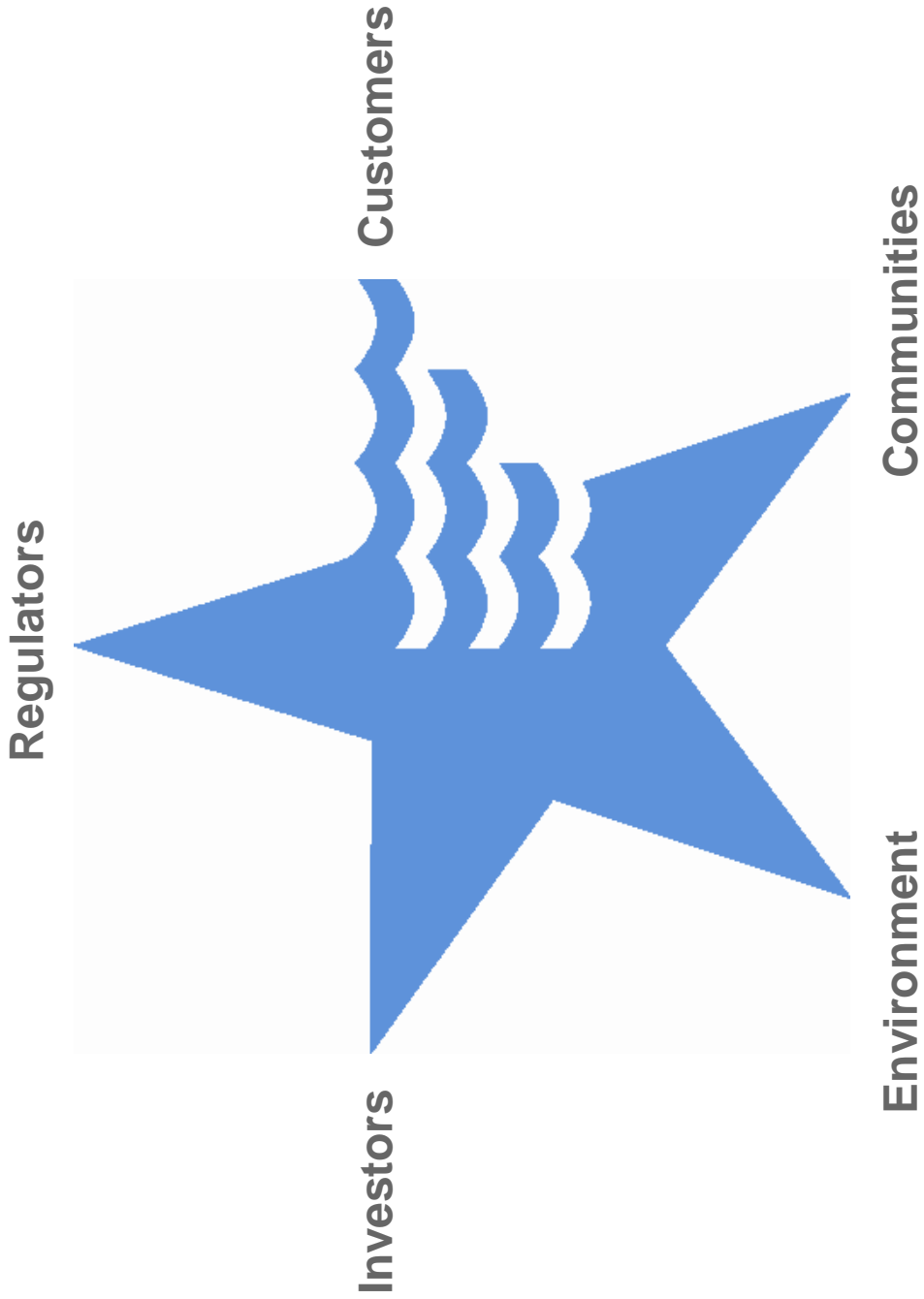


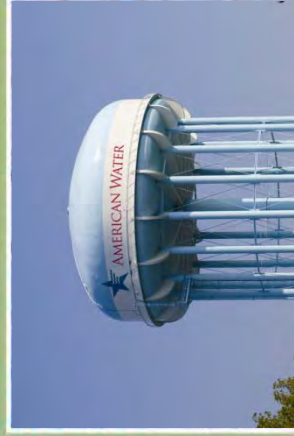
Pennsylvania American Water 2009 Rate Case

- Filed: April 2009
- Request: \$58.1 million
- End of Suspension Period: January 2010
- Settlement: \$30.75 million, plus DSIC roll in \$25.2 million
- ROE 10.8 %
- Effective: November 7, 2009
- Pension expense deferred and amortized
- Increased contribution \$100,000 to H2O – Help to Others Program – assistance for low-income customers (up to \$250,000)



Pennsylvania American Water





AMERICAN WATER

New Jersey American Water Overview

John Bigelow
President, New Jersey American Water



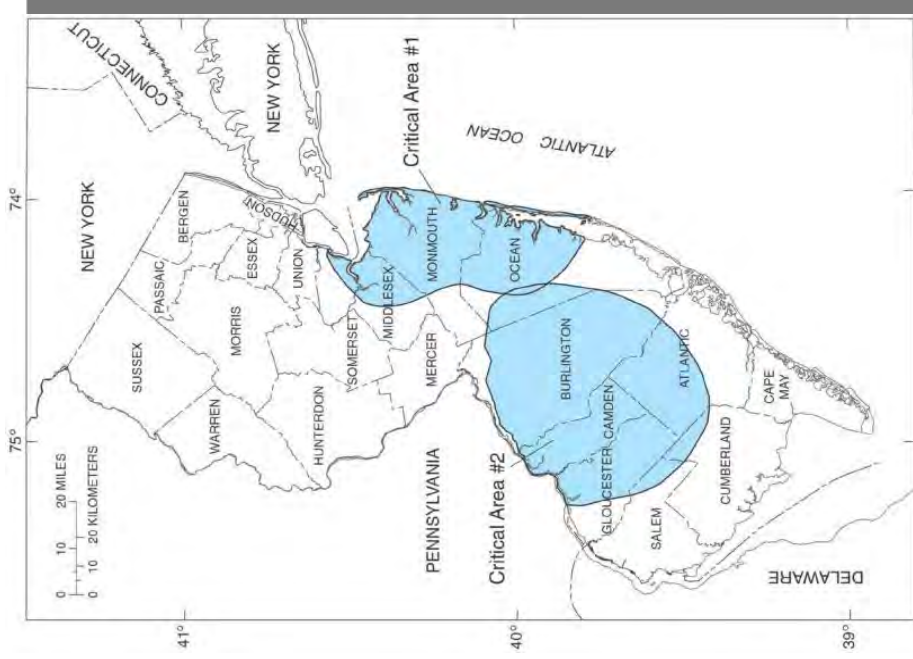
Investor Conference
December 7, 2009

New Jersey American Water Delivers Value:

- **Creating sustainable water solutions for the citizens of New Jersey through:**
 - Proactive collaboration among all stakeholders
 - Commitment to environmental responsibility and natural resource conservation
 - Promotion of superior uniform standards for reliability, service and quality
 - Implementation of leading practices to ensure operational excellence and efficiency
 - Prudently investing in infrastructure to assure adequate supplies of quality water, and waste water

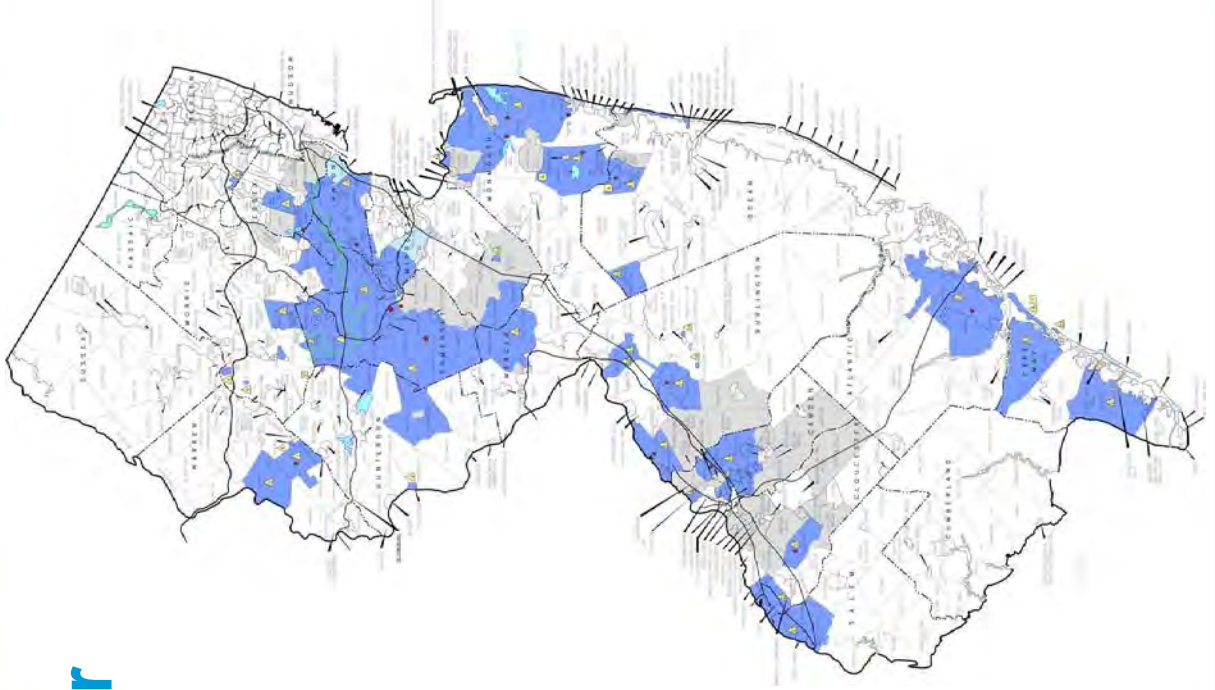
About the State of New Jersey

- Eight million people
- High median household income
- Fourth lowest poverty rate
- Large investor-owned presence
- History of water supply management
- Highly interconnected water systems
- Active regulatory environment

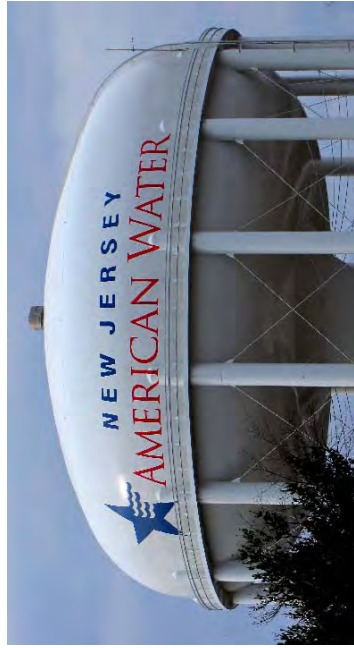


New Jersey American Water at a Glance

Employees	875
Customers	640,000 (90% Residential)
Population Served	2.5 Million
Townships & Counties Served	187 Municipalities in 17 counties
Water Sales	90 BGY (300 MGD)
Average Customer Monthly Bill	\$49 (based on 7,000 GPM)
Revenues (2008)	\$513 Million
Credit Rating	A- / BBB+



New Jersey American Water Infrastructure



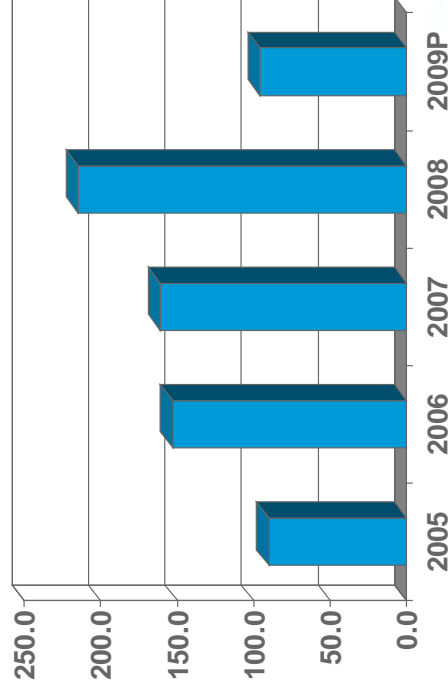
Surface Water Treatment Plants	7 (combined capacity of 350 MGD)
Reservoirs	5 (combined capacity of 6 billion gallons)
Wells	170 (combined capacity of 110 MGD)
Tanks	241
Ops Centers	11
Water & Sewer Mains	8,600 miles (2" to 72" diameter)
Aging Pipes	15% of pipes over 100 years by 2020
Valves	170,000
Hydrants	45,000

\$830+ Million in Capital Invested Since 2004

- **Water Treatment Plant Improvements**
 - Canal Road expansion \$45 million
 - One of the largest ground-mounted solar arrays in eastern US
- **Water and Sewer Mains**
 - Approx. 30 miles/year
- **Cleaning and Lining Mains**
 - Approx. 30 miles/year
- **Hydrants, Meters, Valves & Services**
- **Water Storage Tanks**
 - Annual coating program averages \$3.7 million



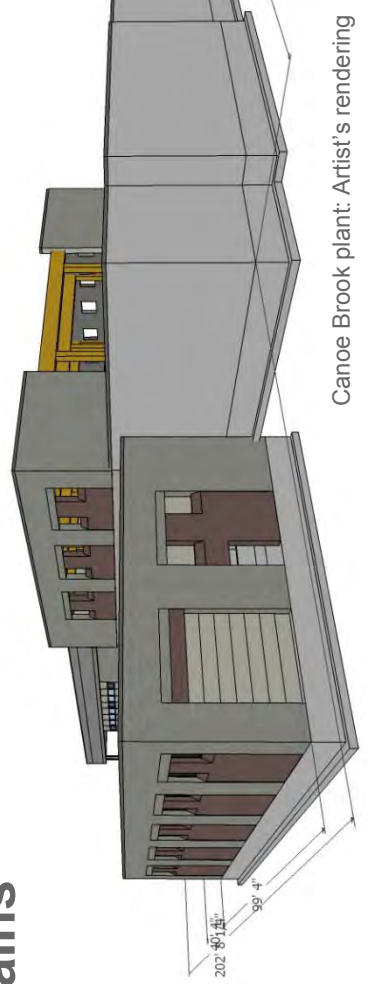
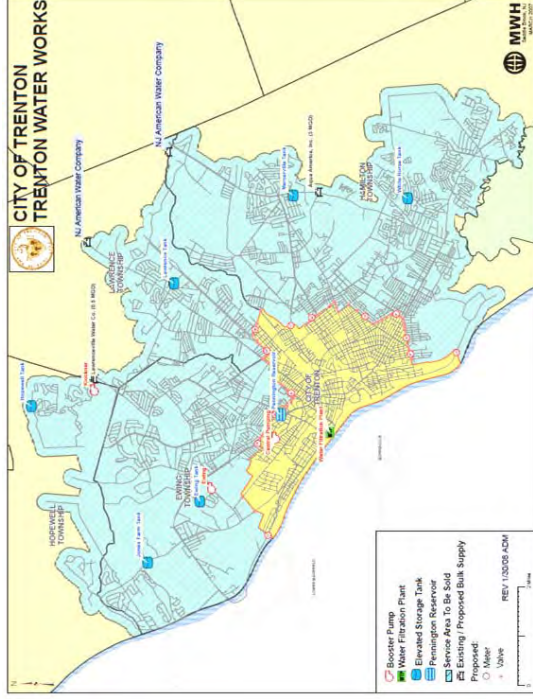
Canal Road Water Treatment Plant





Planned Investments

- **Trenton Outside Water System**
 - Population served: 120,000
 - Cost of transaction: \$80 million
- **Canoe Brook Water Treatment Plant Improvements**
 - Replace plant from 1920s
 - Cost: Est. \$70 million
- **Water and Sewer Mains**
- **Cleaning and Lining Mains**
- **Hydrants, Meters, Valves & Services**



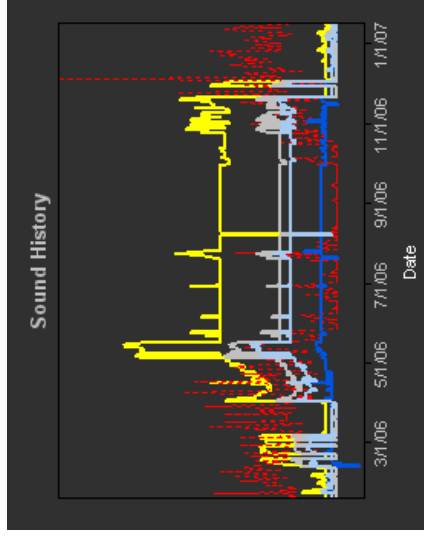
Canoe Brook plant: Artist's rendering

Technology Initiatives in New Jersey

- Geographic Information Systems (GIS)
- Acoustic Leak Detection
- AMR/AMI
- Solar
- Web Self Service
- Mobile Dispatch
- Computerized Maintenance Management System (CMMS)



Solar readout and panel array at Canal Road Water Treatment Plant



Readout showing acoustic signature of leaks

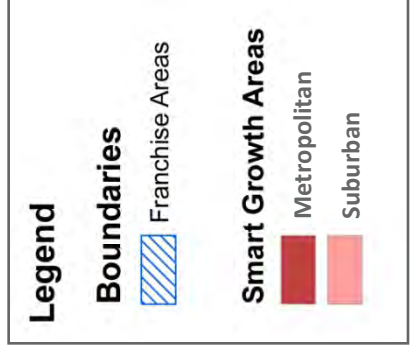
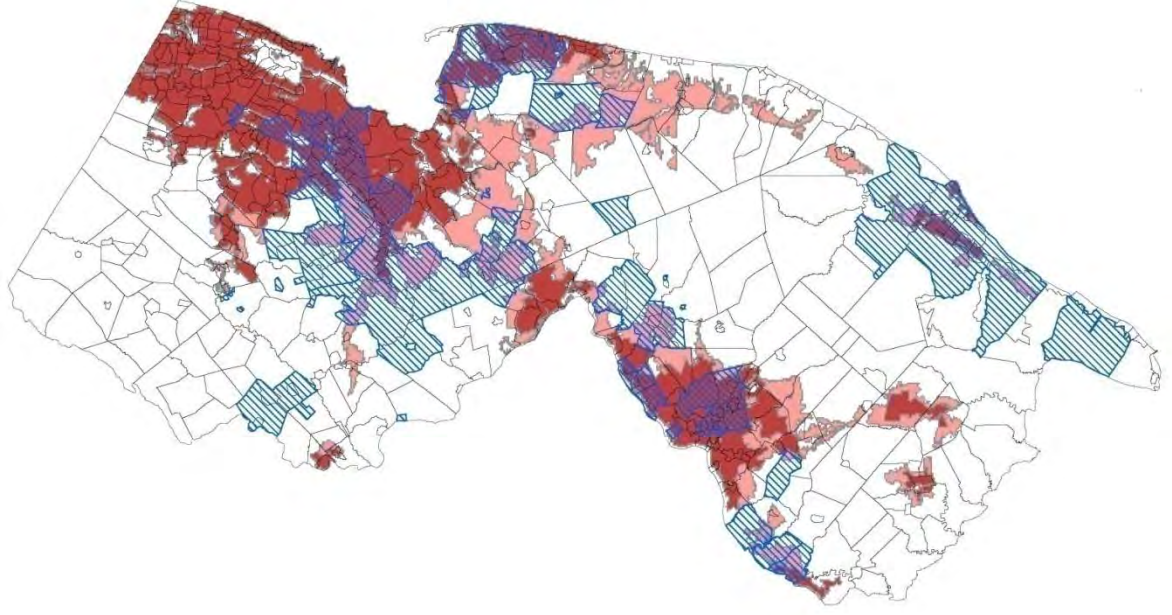


Current Issues

- **NJ Water Supply Master Plan**
 - “Conservation first” and long-term sustainability approach
 - Promote reuse and non-potable sources
 - Reduction of outdoor water use
 - More focus on unaccounted water
 - Additional potential limitations on available supply and capacity
 - Promote regionalization and interconnections
 - Alignment of water infrastructure with State Smart Growth Plans and other land use programs such as the Pinelands and the Highlands.

Growth

- Smart Growth
- Current economic situation
- Sodium contamination in Gloucester County
- Wastewater growth in Cumberland and Gloucester Counties





Regulatory Issues

- **Distribution System Improvement Charge (DSIC)**
- **Conservation/decoupling**
- **Affordability**
 - Ability to pay/willingness to charge





Conclusion

- **In New Jersey, investor-owned utilities play a key role in water services**
- **Densely populated state with challenges and opportunities**
- **History of collaboration and prudent investment to assure quality water and waste water service**
- **New Jersey American Water is well positioned to provide New Jersey with sustainable water and waste water solutions**



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Corporate and Business Development

Bill Patterson
Senior Vice President



Investor Conference
December 7, 2009

Business Development Overview

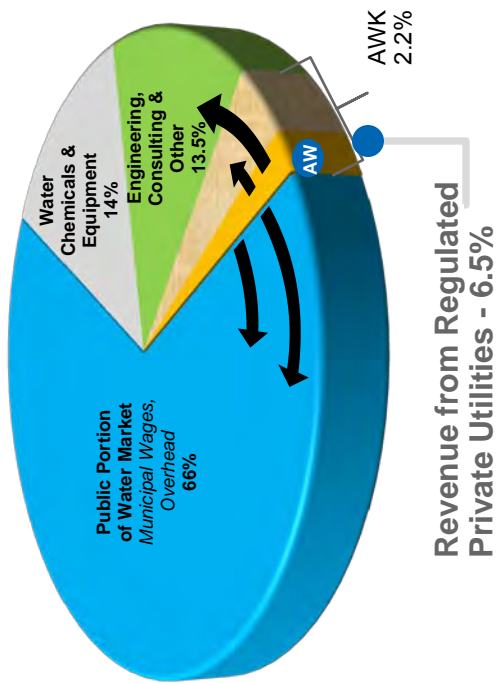
- **American Water is the solutions provider**
 - Geographic diversity, over 120 years of operating experience, regulated and non-regulated operations, economies of scale
 - 100% publicly traded on the NYSE
- **Business development team works across the entire enterprise to review and provide solutions to both regulated and non-regulated growth opportunities**
- **Current initiatives**
 - 18 business development professionals located throughout the U.S. each actively pursuing dozens of opportunities
 - Potential for hundreds of thousands of additional people served
- **Our size and scope attracts numerous vendors and investment firms interested in collaborating on external projects**

Opportunity for Market Share Growth

- Services Provided**
- Private Ownership
 - Operations & Maintenance
 - Design/Build/Operate
 - Concessions

- Markets Served**
- Municipalities
 - Military
 - Residential
 - Commercial & Industrial

U.S. Water Market
~\$90.5B



We continue to expand our market share by providing valued-added services

Sources: Public Works Financing 2004, Environmental Business Journal, AWK SEC filings



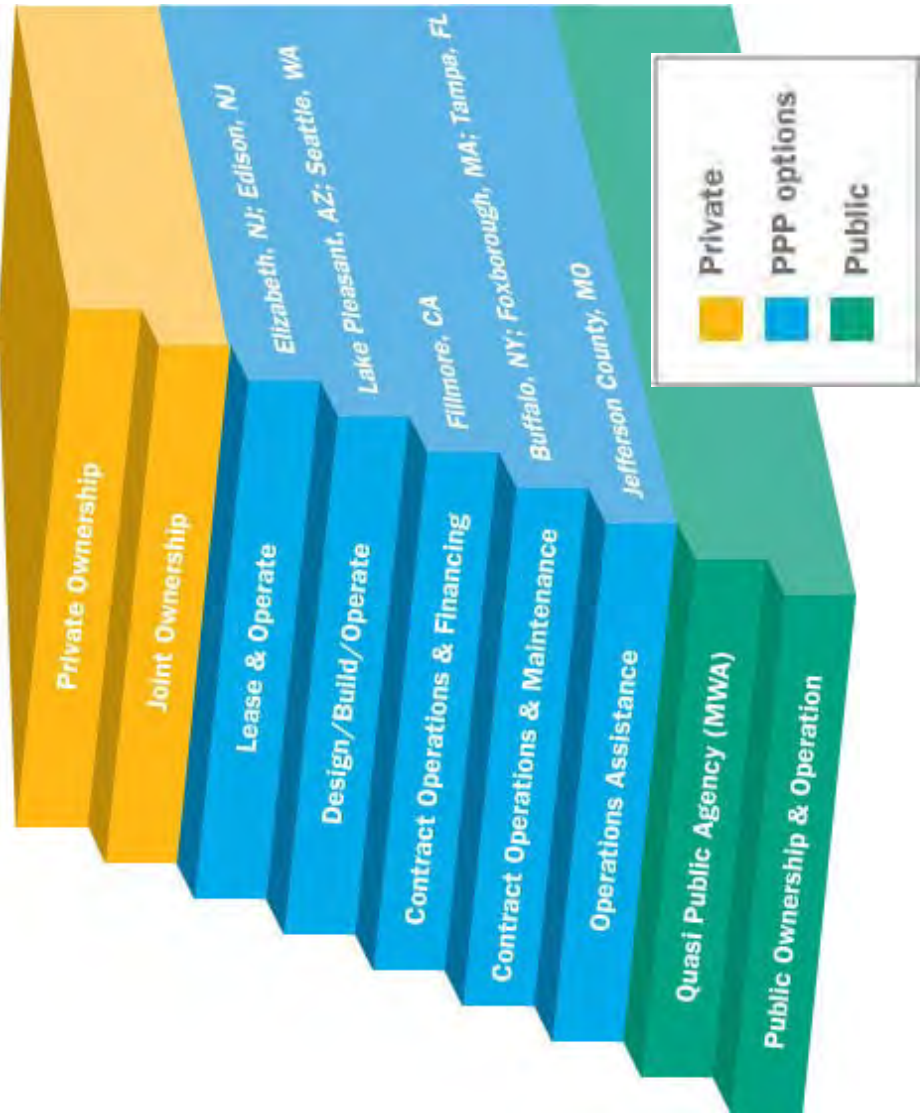
Growth Targets for American Water

- **Tuck-ins – Municipal and Private Systems**
 - The acquisition and integration of a water or wastewater system adjacent to an existing facility
 - Recent examples
 - 4 in PA and 4 in IN
- **Mid-size Municipal Systems**
 - 20,000 to 100,000 population
 - Represents about 5% of systems but 35% of population
 - Trenton outside water systems – 120,000 population
- **Large-size Systems and Projects**
 - In discussions with several larger cities

Growth Targets for American Water

- **Operations and Maintenance**
 - Contract operations with a municipality
 - 140 contracts, serving 3 million people
- **Water Reuse**
 - Systems that recycle high-quality treated wastewater
- **Desalination**
 - Turning seawater into drinking water
- **DBO – Design/Build/Operate**
 - Providing a turnkey solution for municipalities for newly constructed water and wastewater facilities
- **Military**
 - “Reg-like” opportunities – 50-year contracts
 - Two new wins: Fort Belvoir, VA and Fort Meade, MD

American Water is active in providing solutions to water industry needs



AMERICAN WATER CREDENTIALS

Municipal Alliance – Buffalo Water System

- Recognized in 2008 for Excellence by the U.S. Conference of Mayors for outstanding achievement and in 2005 by the National Council for Public-Private Partnerships.

Design-Build-Operate – Tampa Bay Water Authority Desalination Plant

- 2008 Innovation Award from the National Council of Public-Private Partnerships for best practices in work for the client.
- 2008 “Water Desalination Project of the Year” Award from the Global Water Intelligence Magazine.

Water Treatment - Phoenix Lake Pleasant Water Plant

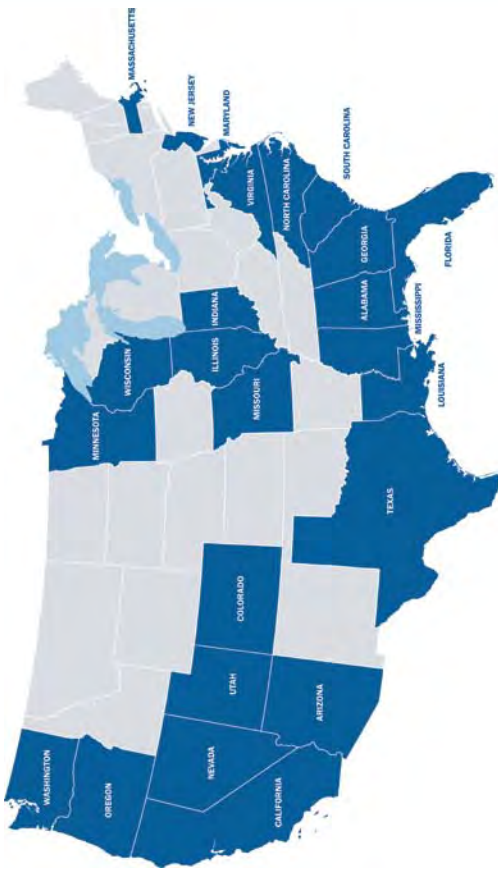
- 2008 “Water Project of the Year” Award - “Highly Commended as a technical marvel” from the Global Water Intelligence Magazine.
- 2008 National Design-Build Award from the Design-Build Institute of America.



Public-Private Partnerships: Solutions to Infrastructure Needs

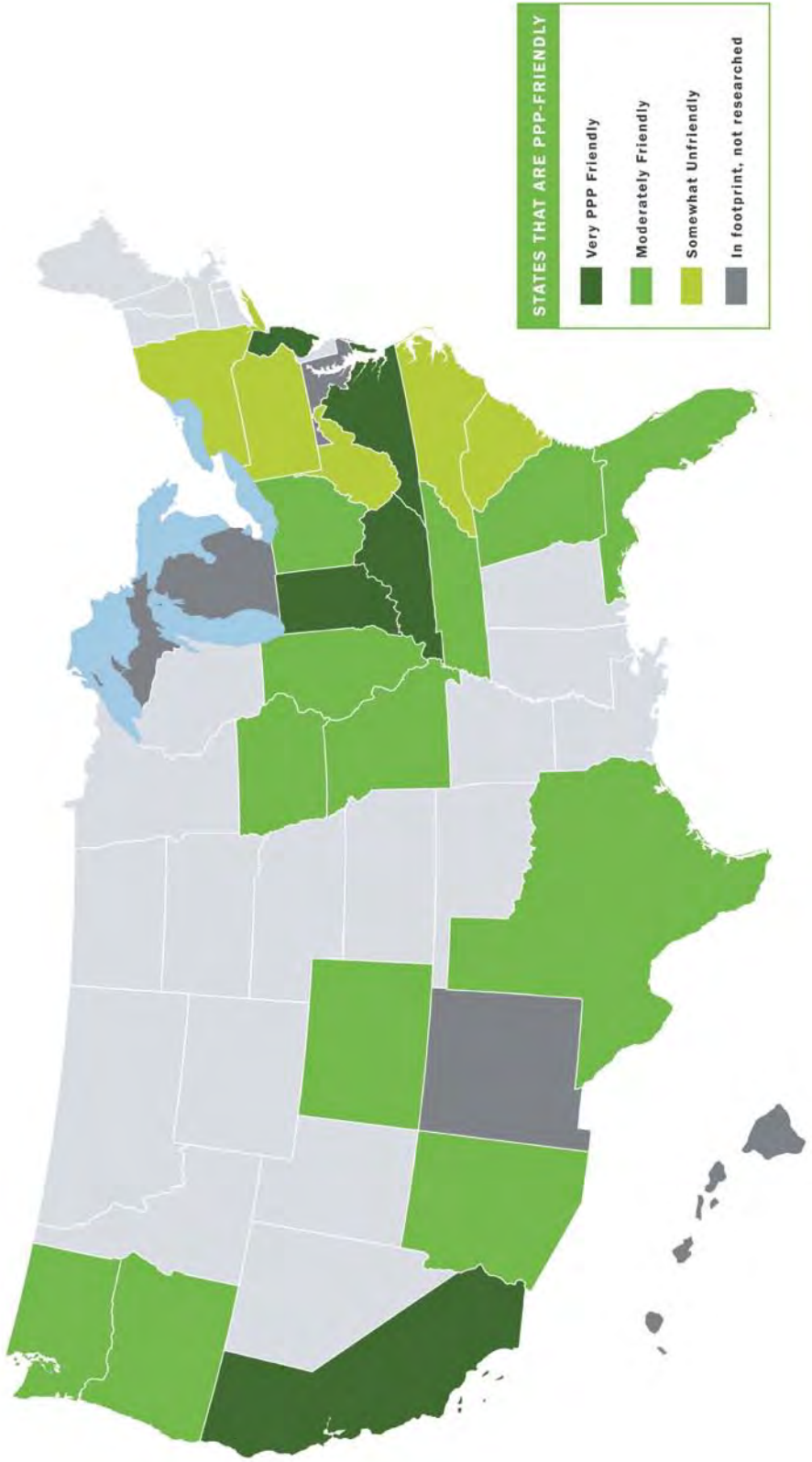
Public-private partnerships are an emerging trend across US

- 26 states have enacted PPP legislation
- Roads, bridges, airports, ports, parking, transit/rail, water and wastewater
 - Indiana Toll Road (\$3.8b, 2005)
 - LBJ Expressway in Dallas (\$2.7b, 2009)
 - Capital Beltway HOT Lanes in VA (\$1.5b, 2008)
 - Chicago Skyway (\$1.8b, 2004)
 - Florida's I-595 (\$1.8b, 2008)
 - Chicago's Midway Airport (\$2.5b, 2008)
 - Port of Oakland (\$2.5b capital investment plus \$500m concession payment, 2009)



■ — Enacted State PPP Legislation

American Water conducts extensive research on privatization opinions in different states



Overview of Infrastructure Asset Classes

Infrastructure refers to the large-scale public systems, services, and facilities of a country or region that are necessary for economic activity

OVERVIEW OF INFRASTRUCTURE ASSET CLASSES		KEY ASSET CHARACTERISTICS
TRANSPORTATION Airports Bridges/Roads/Tunnels Parking Mass Transit Ports	POWER, ENERGY & UTILITIES Alternative Energy Electric & Gas Utilities Hedged/Contracted Generation Midstream Water & Wastewater Transmission	<ul style="list-style-type: none"> n Long-lived, strategic assets n Essential services n Strong, stable cash flows n Limited commodity price risk n Inflation-hedged n Manageable operating risk n Recession resistant n Typically capital intensive n Regulated or contracted revenues n Socially productive n Low correlation to other asset classes
OTHER Communications Infrastructure Lotteries Social Infrastructure		

Infrastructure investors are interested in long-lived assets with stable cash flows

Water and Wastewater assets are excellent candidates for Public Private Partnerships

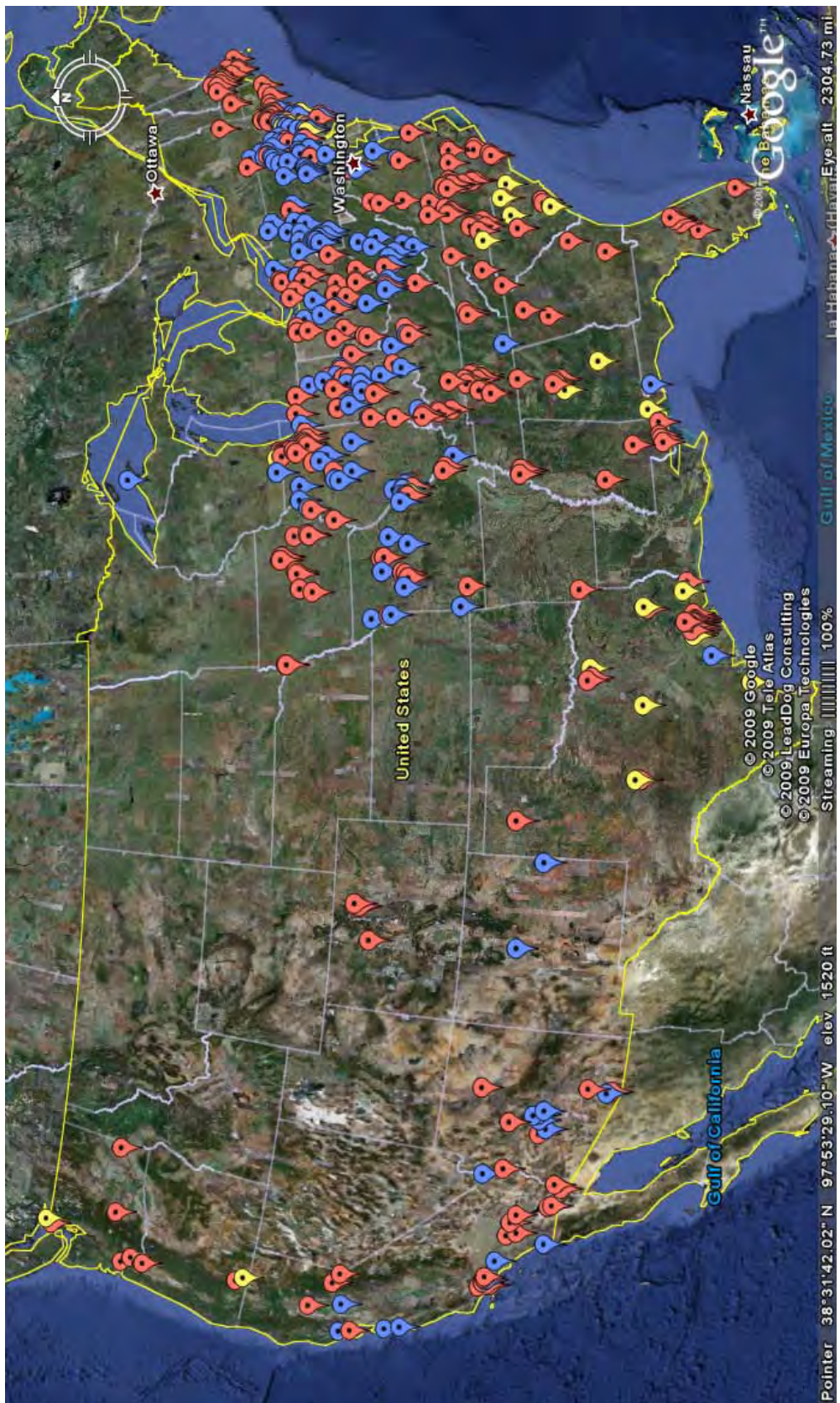
Essential Infrastructure	<ul style="list-style-type: none">✓ Limited competition✓ High barriers to entry / local monopolistic characteristics✓ Provider of critical/needed service
Useful Life	<ul style="list-style-type: none">✓ Long useful life✓ Able to support long tenor leverage✓ Increasing returns to shareholders to offset long dated liabilities
Stable Earnings	<ul style="list-style-type: none">✓ History and/or expectation of steady continued use✓ Low correlation with economic conditions✓ CPI linked price increases in some cases
Cash Generative	<ul style="list-style-type: none">✓ Highly cash generative✓ Ability to cover interest on leverage✓ Strong margins
Favorable Regulation	<ul style="list-style-type: none">✓ Favourable regulation, especially in businesses with significant capex requirement✓ Transparency and consistency in rate / tariff regime

Energetic yet disciplined approach to Business Development

- **Proprietary assessment of laws governing public-private partnerships, procurement and licensing regulations**
- **Analytically-based screening of municipal systems resulted in priority set of targets**
- **Three primary dimensions aligned with receptivity to public-private partnerships:**
 - Financial resource challenges
 - Budgets; pensions; access to capital
 - Operational stress challenges
 - EPA violations; lack of qualified personnel
 - Water supply challenges
 - Aging infrastructure; new capacity needs
- **Proprietary tool developed to literally map out targets**

American Water is actively pursuing opportunities nationwide

- Targets
- Regulated Footprint



American Water employs rigorous internal process to assess risks and returns of all Business Development Opportunities



- Confirm within strategy
- Provide compelling business case to expand strategy
- High level discussion of expected capital commitment, net income and cash flow returns, and principal risks with proposed mitigation steps
- Overview of competitive landscape and proposed strategy to win
- Preliminary estimate of due diligence resource requirements and costs
- Review of results of preliminary due diligence investigation
- Review of potential contractual and operating risks and risk- mitigating strategy
- Preliminary valuation assessment and proposed pricing strategy
- Approval to submit non-binding indication of interest (if required)
- Comprehensive review of due diligence findings across operations and functional areas including: Finance, Legal, HR, IT and Tax
- Approval to submit binding offer (unless Board action also required) subject to agreed upon terms and conditions
- Thorough review of specific risks with planned mitigation steps – determine total flaws, if any
- Final valuation assessment, including project profitability, supported by detailed ‘life cycle’ financial model including base case and sensitivity analyses
- Affirm that binding offer was accepted as proposed
- Re-conduct Bid Approval step and approve submission of revised binding offer, if appropriate
- Confirm post-closing plan to integrate acquired assets into existing operations
- Lessons learned analysis of selected project to enhance value of future projects

Review team meets weekly to review opportunities

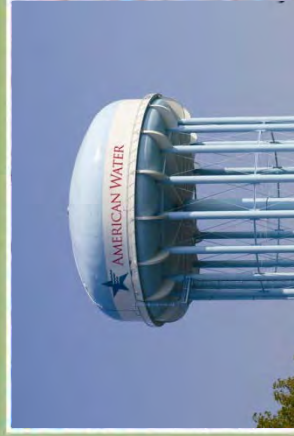
Summary of Business Development Opportunities

- American Water is uniquely qualified and positioned as the solutions provider
- Strategic approach to solicitation of Business Development opportunities – based on dimensions most closely aligned with receptivity to public-private partnerships
- Discussions with 75 municipalities – potential for substantial additions to customer base
- Energetic yet disciplined approach to identify, drive, and close on external growth opportunities – open to collaboration as appropriate



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

**Break
15 Minutes**





AMERICAN WATER

Non-regulated Operations

Mark Strauss
President



Investor Conference
December 7, 2009

Non-regulated Business – Opportunity Component of the overall American Water Strategy

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

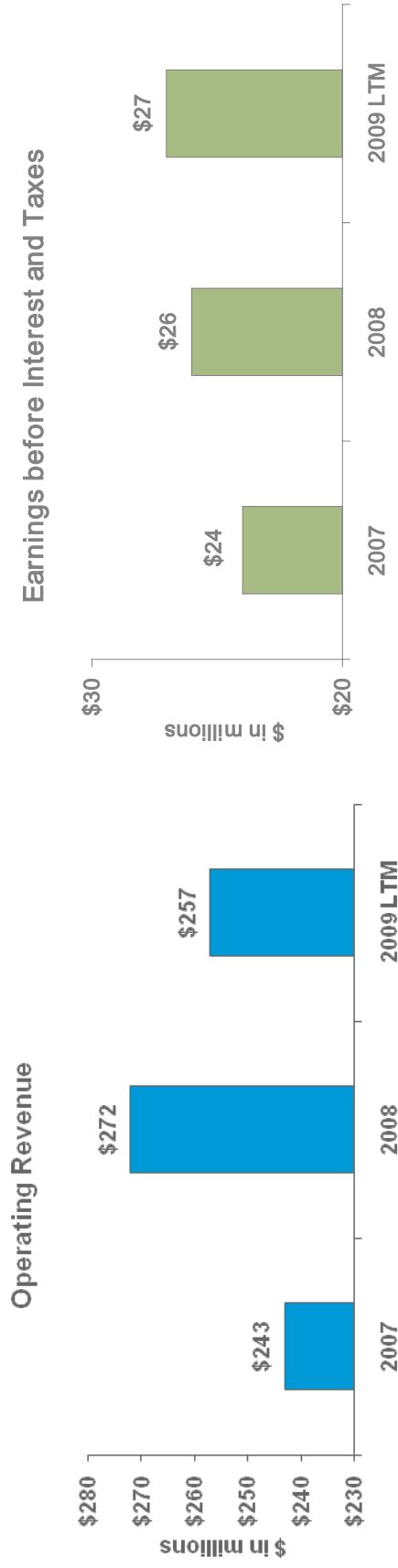
Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
 - ✓ Pursue “regulated-like” opportunities & complementary lines of business
 - ✓ Focus on operating efficiencies

Non-regulated Business Environment

- **Housing market decline continues to reduce opportunities for developer-related non-regulated business growth**
- **Municipal operations impacted as well**
 - Rising costs impact all utility operations
 - Infrastructure needs have often been ignored, but will not go away
 - Other needs of cities (fire protection, police, schools, roads, etc.) create further distractions for municipal water and wastewater operations
 - Federal and state budget pressures limit government funding
- **Homeowner Services' customers remain willing to mitigate their risk via service line protection**

Non-regulated Segment Historical Results

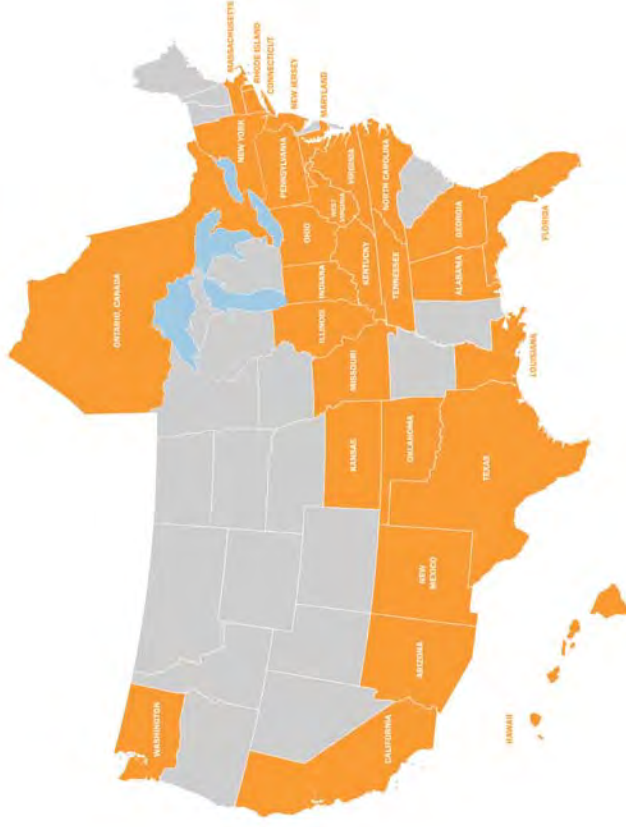


- Design/build/operate contracts can cause fluctuations year over year
- Establishing steady record of profitability with improved risk profile
 - Businesses in Non-regulated group are not capital intensive
- Recent bids and contract renewals have less exposure to cost volatility

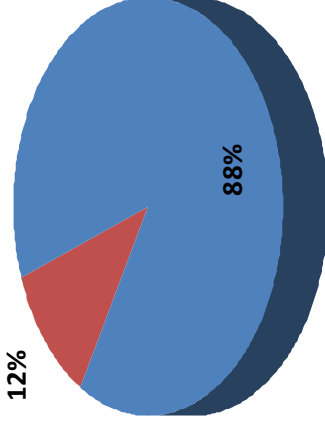
American Water Enterprises

- \$257 mm in revenues (1)
- \$27 mm in adjusted EBIT(2)
- 30 states and Canada
- 134 governmental, 73 industrial and commercial, and 730 K residential contracts/customers serving over 3.5 million people
- 780 employees

(1) Revenues and Adjusted EBIT are LTM as of September 30, 2009.
 (2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.



Non-regulated
12%



**American Water LTM
consolidated revenues of
\$2.4 billion**

Our Non-regulated Businesses: A Complement to Core Competencies



Design, Build and Operate

- Over 20 projects
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA



Contract Operations

- Over 140 contracts
- Serving 3 million people
 - Buffalo, NY
 - Sioux City, IA
 - Warren Township, NJ

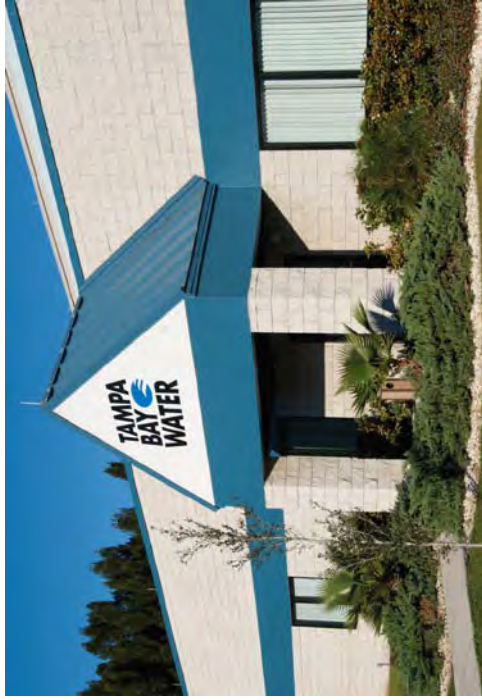
Our Non-regulated Businesses: A Complement to Core Competencies

Water Reuse

- 21 projects, 4 states
 - Gillette Stadium, MA
 - Solaire building, NY
 - Battery Park City



Our Non-regulated Businesses: A Complement to Core Competencies



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- Short-listed for Hialeah, FL Design/Build/Operate bid
- One pilot plant contract awarded
 - Laredo, TX

Non-regulated Military and Municipal Projects are “reg like” with recurring revenue streams but require little capital expenditure

	State	Project Type	Years Remaining	Non Regulated Operations
■ Fort Sill	OK	DoD O&M	43.4	■ Recurring revenue
■ Fort Leavenworth, KS	KS	DoD O&M	44.0	■ Disciplined approach
■ Fort Rucker	AL	DoD O&M	44.3	■ Minimize commodity risk
■ Scott Air Force Base	IL	DoD O&M	48.1	■ Asset light – LTM* Capex of \$4.7 mm
■ Fort AP Hill	VA	DoD O&M	48.0	■ Deploying core skills and value added offerings
■ Fort Hood	TX	DoD O&M	49.1	■ Growth oriented
■ Fort Polk	LA	DoD O&M	49.1	
■ Fort Belvoir	VA	DoD O&M	50.0	
■ Fort Meade	MD	DoD O&M	50.0	
■ North/New Brunswick	NJ	Muni Concession	12.8	
■ East Palo Alto	CA	Muni Concession	16.5	
■ Toll/City of Seattle	WA	Muni DBO	5.1	
■ Camp Creek/Fulton Co	GA	Muni DBO	7.1	
■ Lake Pleasant (Phoenix)	AZ	Muni DBO	12.5	
■ Sioux City	IA	Muni DBO	13.5	
■ Filmore	CA	Muni DBO	19.0	

*Last twelve months (LTM) ending September 30, 2009



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Corporate Responsibility Environmental Stewardship and Sustainability

Mark W. LeChevallier, Ph.D.
Director, Innovation & Environmental
Stewardship



Investor Conference
December 7, 2009



Our Commitment to Corporate Responsibility

At American Water, corporate responsibility is our commitment to:

- Hold ourselves to high standards of integrity
- Deliver the highest quality products and services
- Utilize the resources of our business to serve the public good
- deliver growth and value to customers, shareholders and employees.

Our Commitment in Action



Responsible
Leadership

Governing with integrity and accountability from a foundation of ethical business practices that demonstrate our viability as a company deserving of public trust and investment.



Employee
Engagement

Developing an environment that attracts the best and brightest employees and creating an extraordinary workplace that provides development opportunities and a diverse culture in which they can truly make a difference.



Community
Investment

Contributing to the communities where we live and work to solve local challenges, strengthen neighborhoods and support organizations that are making a difference.



Environmental
Stewardship

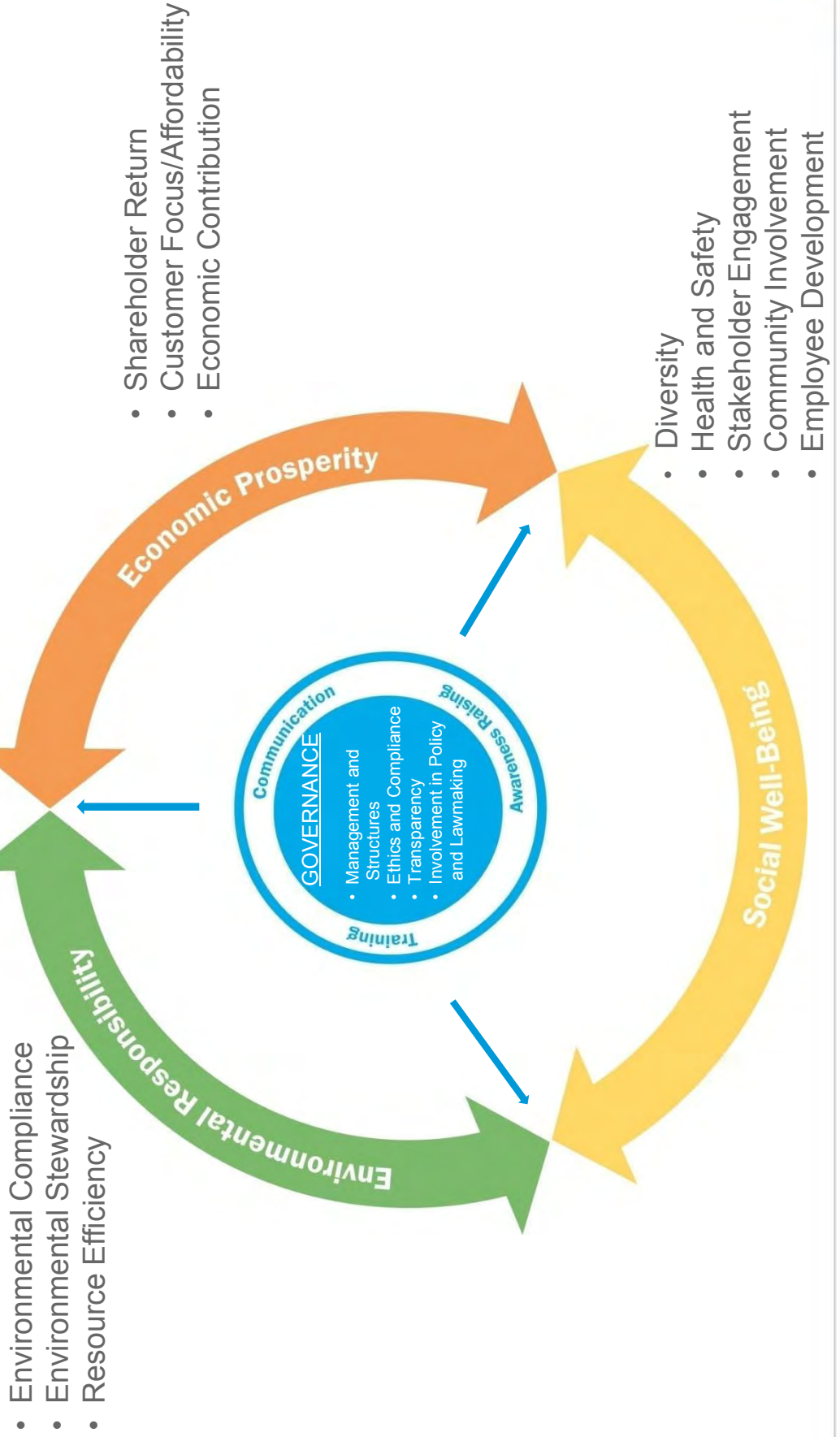
Minimizing the impacts of our operations and enhancing our sustainability performance in ways that are relevant to our business and important to the communities we serve.



Service &
Innovation

Sustaining a strong enterprise that holds itself to a high standard of performance, values innovation and teamwork, and consistently strives to improve the customer experience.

Corporate Responsibility: Triple Bottom Line

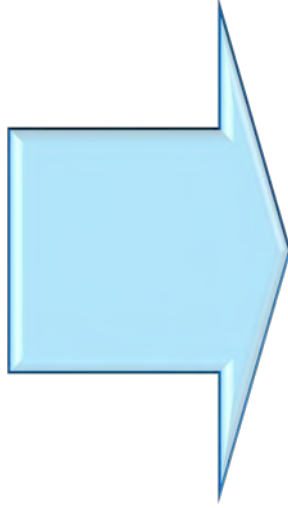


Environmental Commitment

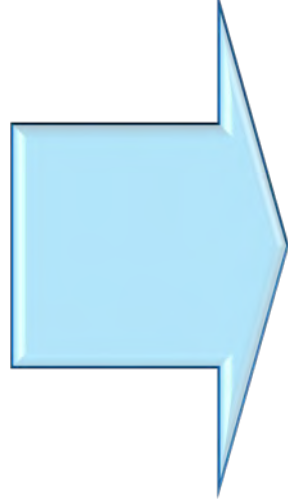
We will comply with all relevant environmental laws, regulations and standards

We will sustain the environment through responsible business practices that promote environmental stewardship

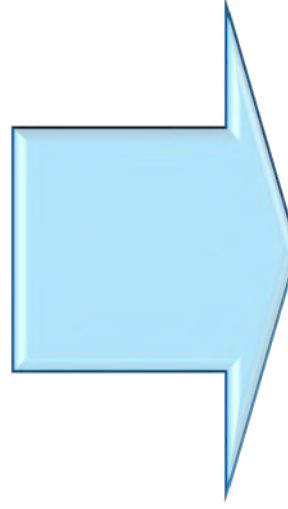
We will be efficient in our use of natural resources, including energy, in both our operations and during construction



Environmental Compliance



Environmental Stewardship, Grants



Energy, Water

Environmental Compliance

Complying with – often times surpassing – all relevant environmental laws, regulations, and standards

Environmental Management Plans

- Summarizes environmental regulations
- Includes descriptions of 26 environmental regulations that might apply
- Defines roles/responsibilities for regulated and non-regulated business

Environmental Audits

- Evaluates effectiveness of Environmental Management Plans
- Ensures correct policies/procedures are implemented, and that personnel are knowledgeable
- Uses custom-designed audit software to ensure thoroughness and consistency

Partnership for Safe Water



Environmental Stewardship

Sustaining the environment through responsible business practices that promote environmental stewardship

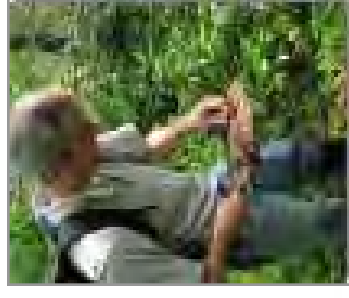
- Protecting Endangered Species
- Biodiversity
- Recycling and Reuse
- LEED construction
- Environmental Grant Program





Environmental Grant Program

- Established in 2005
- Partnering with local environmental groups
- In 2009, 29 projects in 11 states
- Emphasis on watersheds within service areas
 - Watershed protection
 - Education and outreach programs
 - Restorative – native grass, riparian buffers



Climate Change and the Impact on the Water Industry



Climate Change Effect

- Higher temperatures
- Longer, more frequent droughts
- Increases storage
- Shorter, higher intensity rainy seasons
- Increased storm water flows
- Melting of polar ice caps
- Saltwater intrusion

Impact on Water Use

- Increased water use
- Water resource planning
- Algal blooms, toxins
- Flood control, increased run off, peak contaminant loading
- Sewer overflows
- Rise in ocean levels
- Desalination



The Nexus Between Electricity, Green House Gas Emissions and the Water Industry



- **Drinking water and wastewater consume:**
 - 4% of domestic electricity¹, 7% worldwide electricity, 19% of California electricity²
- **American Water’s Green House Gas (GHG) Emissions (2008)**

Emissions Source	Emissions CO ₂ e ³	Emissions (%)
Stationary combustion – generators, heating ⁴	34,198	4.0%
Mobile sources – fleet (cars, trucks)	30,294	3.5%
Other – Refrigerants, Process/fugitive ^{5,6}	1,393	0.2%
Electricity	791,080	92.3%
Total	856,965	100.0%

1. Electric Power Research Institute (2001)
2. Energy Down the Drain: The Hidden Costs of California’s Water Supply
3. Emissions in metric tons CO₂e includes CO₂, N₂O and methane emissions
4. Natural gas, diesel, and fuel oil
5. Biogas leakage from anaerobic digesters
6. Leakage of air conditioning refrigerant

Driving Operational Efficiencies

- Production efficiencies focused on pumps, lighting, process design standards
- Construction efficiencies using enhanced construction standards and practices
- Operating efficiencies focused on best operating practices, leak detection and repair procedures
- Maintaining efficiency using computerized maintenance management system (CMMS) and preventive maintenance systems



Leading the Way Toward Sustainability

- **Climate Leaders**
 - Voluntary EPA partnership to develop long-term, comprehensive climate change strategies
 - American Water's commitment – reduce carbon footprint by 16% by 2017
- **WaterSense**
 - EPA program aimed at raising awareness around water efficiency, and ensuring performance and the use of water efficient products
 - Education – public and regulatory
 - Leak detection
- **Maximizing Water Reuse**
 - Annually recycle over two billion gallons of water
 - Case study: Anthem, AZ
 - Desert community with a park and two golf courses using 5-7 million gallons of water per day
 - Beneficially reuses 100% of water used and wastewater produced
 - On-going research on reuse water quality



A Commitment to Report on Our Progress

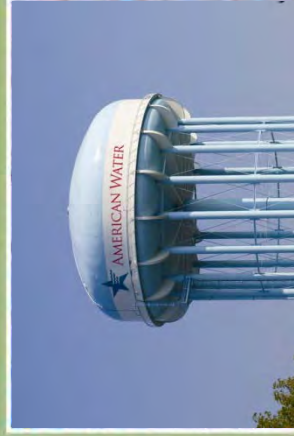
- Using independently developed, globally applicable sustainability reporting guidelines focused on economic, environmental and social indicators (Global Reporting Initiative – GRI)
- Using the GRI guidelines for preparation of our first comprehensive Corporate Responsibility report – planned for 2011
- Partial summary report provided in 2010
- Additional details on American Water’s Corporate Responsibility program available at our booth



AWK
LISTED
NYSE

WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

**Break
15 Minutes**





AMERICAN WATER

Regulatory Overview

Paul Foran

Vice President and Counsel Regulatory Programs



Investor Conference
December 7, 2009

Water and Wastewater Utilities are subject to a high degree of both environmental and economic regulation

- **Economic Regulation: State Public Utility Commissions (investor-owned)**
 - Comprehensive regulation – not just rates (financings, conditions/service, changes of controls, affiliate relations, rules and regulation, etc.)
- **Water Quality Regulation – US EPA**
 - Safe Drinking Water Act (SDWA), Clean Water Act (CWA)
 - A Moving Target
 - 98 contaminants currently require monitoring and/or control under SDWA
 - More to come

State Public Utility Commissions – What are They?

- Created by State Legislatures or Constitutions
- Should make decisions independent of influence by Governor or legislature (but must comply with state law and state and U.S. Constitutions)
- Elected or appointed by Governor with legislative (Senate) consent (appointed predominates)
- Administrative Agency – Quasi Judicial/Quasi Legislative
- Holds office during a term certain – cannot be removed during term except for malfeasance
- PUCs engage in comprehensive utility regulation, not just rates

The Traditional Regulatory Compact

Regulation as a Surrogate for Competition

The State confers Monopoly Status

When the industry significantly affects the public interest, no effective competition exists, and economies of scale/scope can be achieved.

Commissions protect monopoly status through enforcement of first in the field rights and issuance of certificates of Public Convenience and Necessity.

In Exchange for

- Obligation to serve
- Subject to state economic regulation of rates, conditions of services, etc.
- Fair return of and on invested capital and reasonable O&M expenses

Based on provisions of the US Constitution prohibiting:

- Confiscation of property without due process and fair compensation
- Discrimination

Rate Base, Rate of Return Ratemaking – The Revenue Requirement

- **Equity Return on Rate Base**
 - Equity Return: Commission determined “fair” rate of return applied to the portion of “rate base” funded by equity investors
 - What is a “fair” return?
 - A utility is entitled to the opportunity to earn a return equal to that earned by other businesses of comparable risk and that is sufficient to support its credit and attract capital. (U.S. Supreme Court: Hope and Bluefield)
 - What is “Rate Base”? Investor supplied capital/assets used and useful in providing service
 - Equity Return “grossed up” for income taxes (revenue requirement associated with equity portion of rate base x 66.7%)

Plus

- **Debt Costs**

- Financing costs on portion of rate base financed through debt
- Dollar for dollar recovery

Plus

- **Operation and Maintenance Expenses**

- Prudent and reasonable operation and maintenance costs necessary to provide services (includes depreciation/amortization)
- Dollar for dollar recover

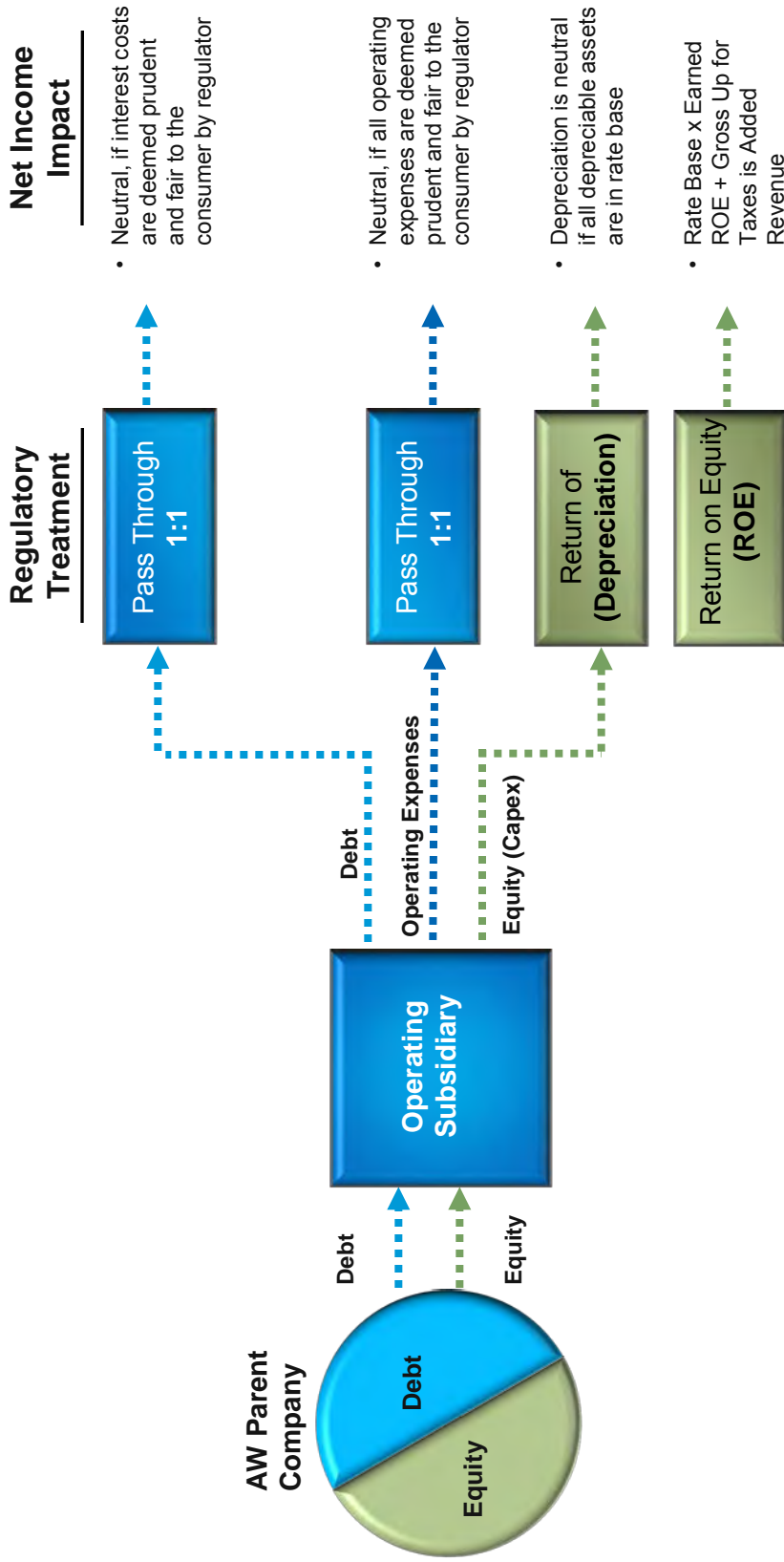
Rate Of Return – Weighted Average Cost of Capital

Capital Structure – (Approved per Docket No. NJ WR08010020)

Type of Capital	Balance Outstanding	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	\$ 953,500,860	49.95%	6.4924%	3.2430%
Preferred Stock	966,000	0.05%	4.8000%	0.0024%
Short-Term Debt		0.00%		0.0000%
Common Equity	954,600,000	50.00%	10.3000%	5.1500%
	\$ 1,909,066,860	100.00%		8.3954%

Green Highlight = directly from balance sheet

How is Net Income generated in Rate of Return Regulation?



If all assets are included in the Company's Rate Base and all operating expenses are deemed prudent and recoverable by regulator, Company earns allowed ROE*

* Assuming no regulatory lag between rate cases

Example Revenue Requirement Calculation

Equity Return on Rate Base	$(\$1M \times 50\% \times 11\% \text{ ROE})$	\$ 55,000
Income Tax Gross up on Equity Returns	$(\$55,000 \times 66.7\%)$	36,667
Debt Return on Rate Base	$(\$1M \times 50\% \times 6\% \text{ embedded cost of debt})$	30,000
Test Year General Operating Expenses*		\$ 80,000
Test Year Other Taxes*		10,000
Test Year Depreciation*		30,000
Test Year Amortization*		5,000
Total Revenue Requirement		\$ 246,667

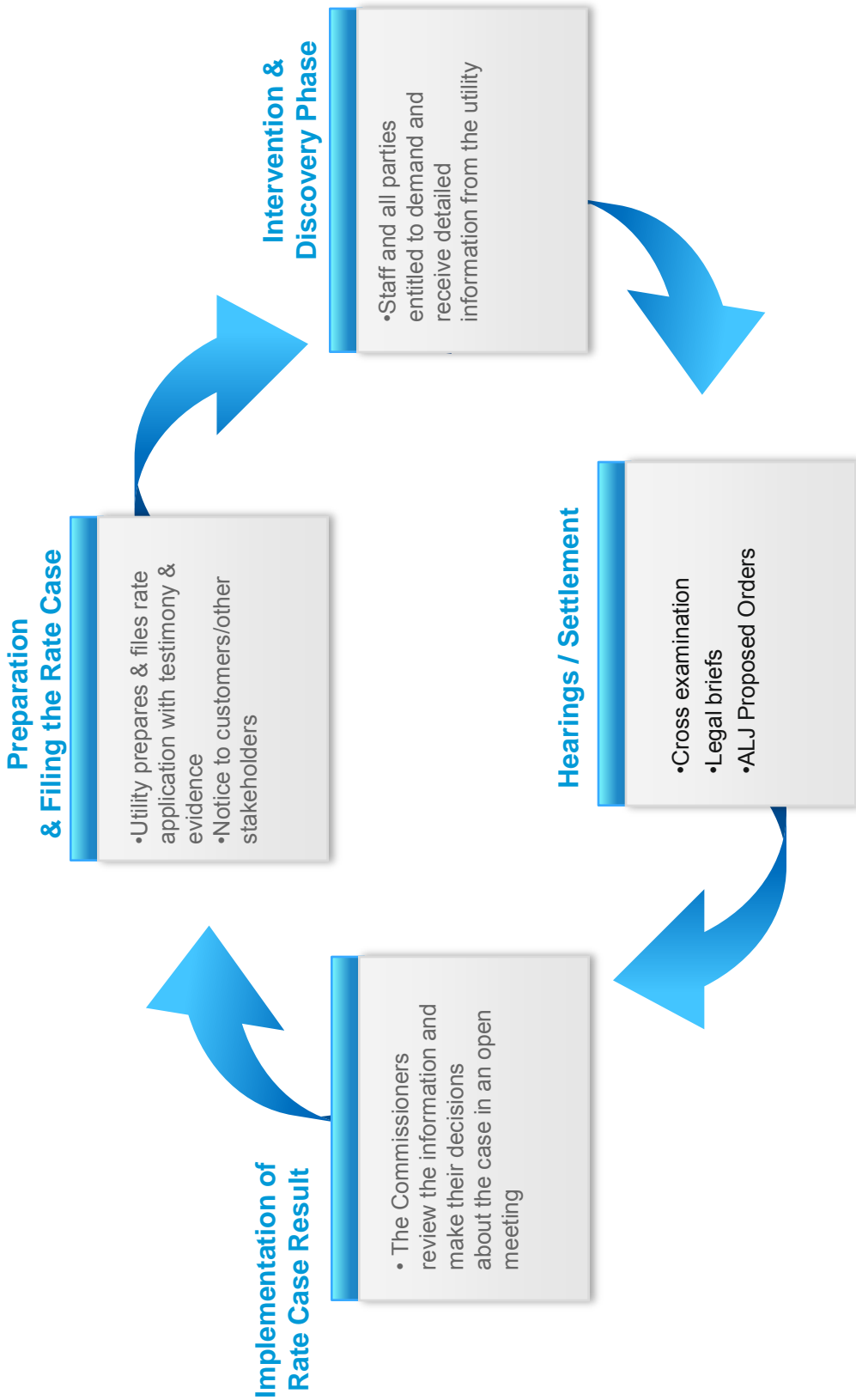
Assumptions: Rate Base = \$1M; capital structure = 50% debt/50% equity; commission allowed ROE = 11%

*Amounts will change depending on test years

Rate Case Process: Due Process of Law

- **Varies state to state**
 - Notice
 - Public hearings and ability to participate
 - Appeal rights
- **Adversarial, trial-like**

A Typical Rate Case Cycle



Process can take 3-months in excess of 2-years (9 – 11 months is typical)



In Summary

- **Public Utility Commissions engage in comprehensive regulation of public utilities, not just rate regulation.**
- **The ratemaking process is designed to provide the utility with the opportunity to earn a fair rate of return of and on used and useful, shareholder supplied capital necessary to provide service and to allow recovery of prudent and reasonable operating costs.**
- **The regulatory process should balance the interests of ratepayers and shareholders to achieve the overall public interest, and to act as a surrogate for competition in a monopoly environment**
- **The regulatory process differs state to state but contains underlying similarities to comply with Constitutional standards of due process and equal protection and is essentially trial-like.**
- **How effectively the system works depends on specific state regulatory policies and legal requirements, as well as utility performance.**



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Financial Overview

Ellen Wolf
Senior Vice President & Chief Financial
Officer

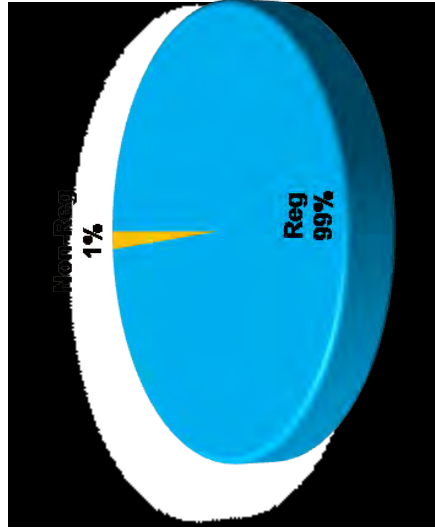


Investor Conference
December 7, 2009

American Water at a glance

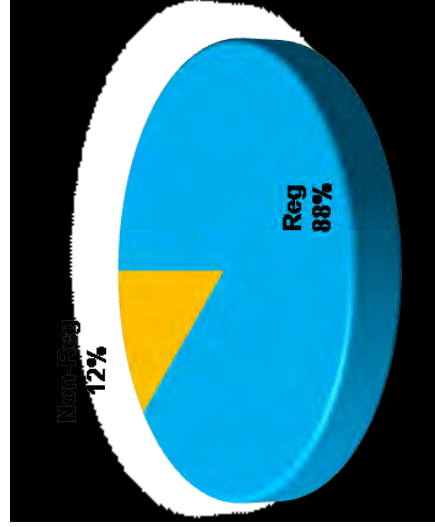
American Water is fundamentally a Regulated Utility

2008 PP&E



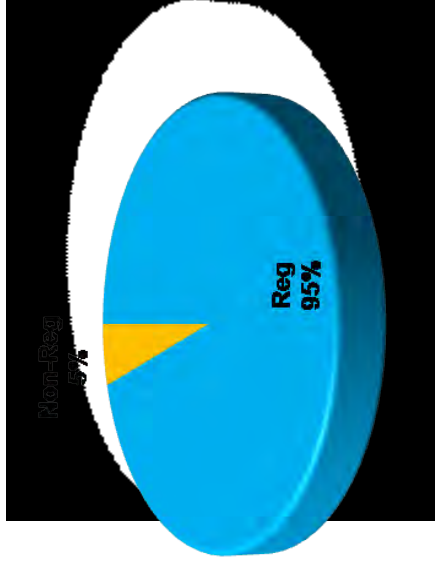
2008 PP&E: \$10,123,928

2008 Revenues



2008 Revenues: \$2,336,928

2008 Adjusted EBIT



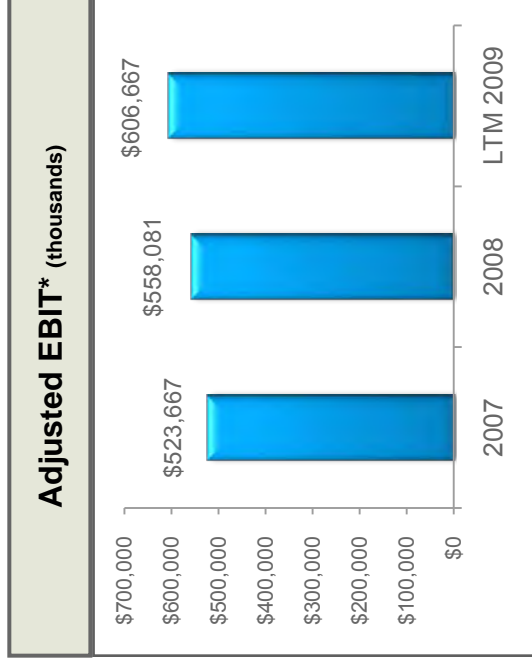
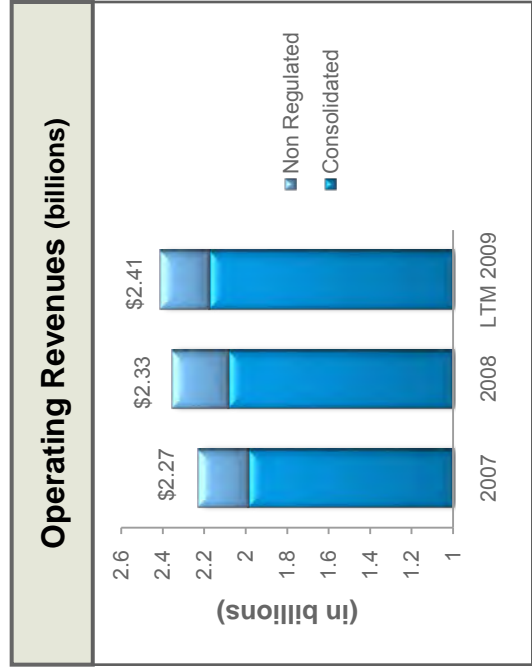
2008 Adjusted EBIT: \$558,081

- Dollars in Thousands
- Adjusted EBIT as defined in Company's financial statements
- Non-regulated includes consolidation adjustments

American Water Consolidated Financial Results

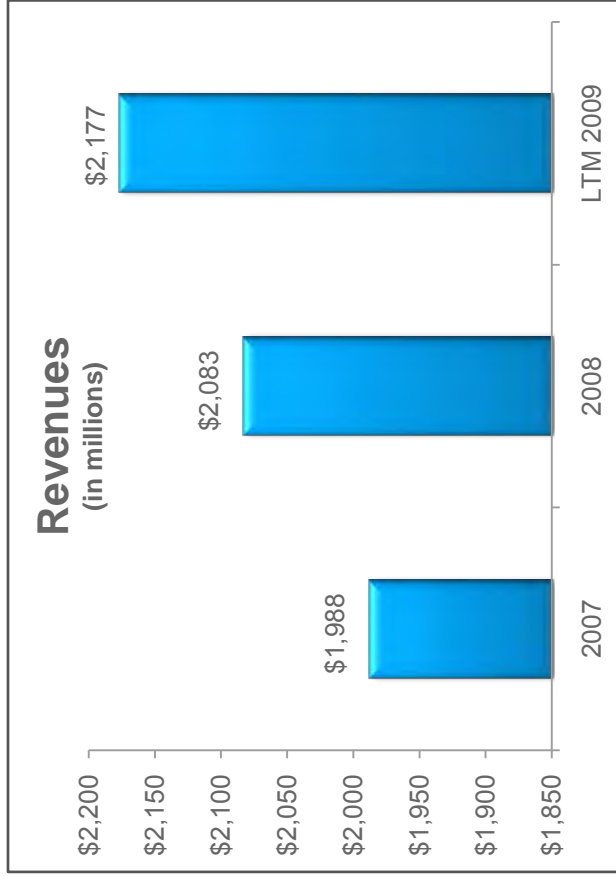
	For the Nine Months Ended September 30	
	2009	2008
Revenue	\$1,842,866	\$1,768,377
Gross margin *	\$486,228	\$434,054
Net income to common *	\$173,570	\$139,647
Average common shares outstanding during the period, fully diluted	165,992	159,960
Net income per common share *	\$1.05	\$0.87

(In thousands, except per share data)



* Non-GAAP Financial Measure –excludes goodwill impairment charges. Reconciliation table can be found at the end of this presentation
 • Non-regulated includes consolidation adjustments
 ** Adjusted EBIT as defined in Company financial statements

Regulated Operations: Financial Results

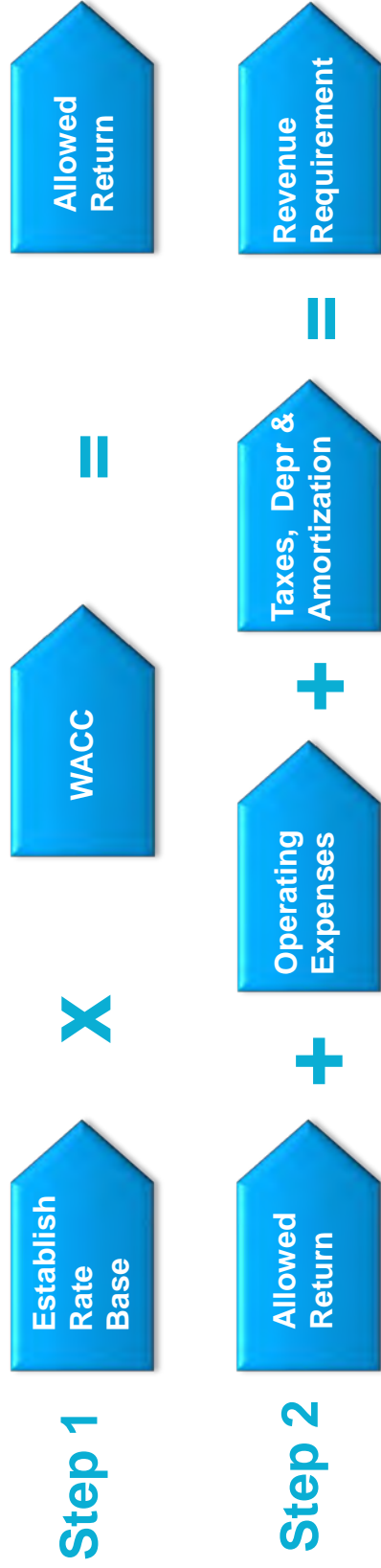


Strong growth anchored by Regulated Operations

* Adjusted EBIT as defined in Company financial statements

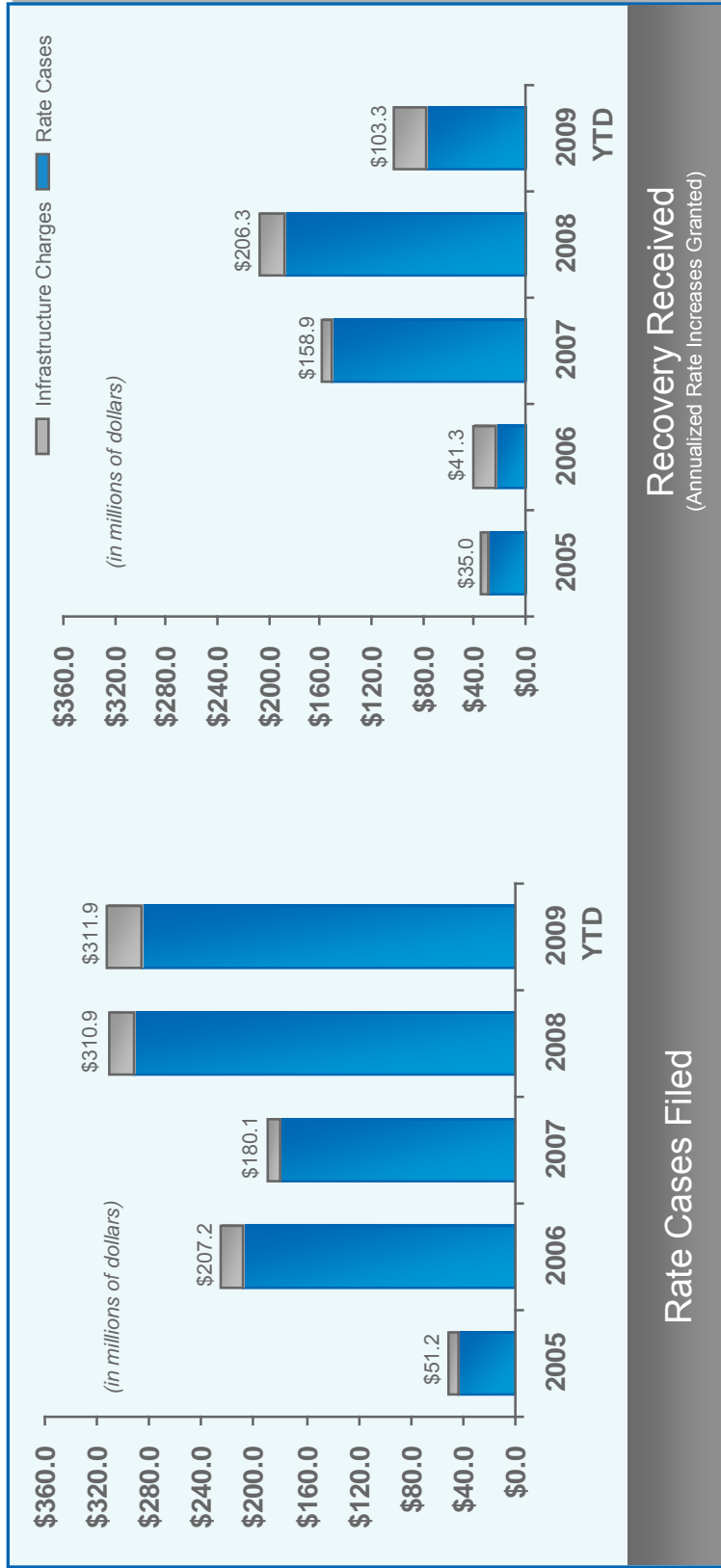
Regulated Operations: Rate of Return Regulation

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

Continued Effort to Earn an Appropriate Rate of Return on Investments



- Infrastructure charges of \$26.4 million (annual revenues) authorized this year in eight states (PA, IL, IN, MO, CA, OH, NY, AZ)
- As of November 30, 2009: rate cases awaiting final order in 8 states, providing \$218.3 million revenues if approved as filed
- AWK subsidiaries have received authorized ROEs in the range of 10 %-10.8% from rate orders during the last year

General Rate Cases Awaiting Final Order as of November 30, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>	<u>Filing Status</u>
Hawaii *	2007-0180	11/1/2007	\$1.3	10.60%	\$24.9	5
California ** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	\$215.8	2
Indiana	43680	4/30/2009	\$46.9	12.00%	\$670.5	2
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	\$74.8	2
Illinois	09-0319	5/29/2009	\$58.6	12.25%	\$610.3	2
Arizona (Anthem, etc.)	W-01303A-09-0343	7/2/2009	\$20.6	12.25%	\$220.4	2
New Mexico (Edgewood)	09-00156-UT	8/21/2009	\$0.7	12.25%	\$4.0	2
Missouri	WR-2010-0131, SR-2010-0135	10/30/2009	\$48.7	11.60%	\$792.3	1

* Interim rates implemented (\$0.7m add'l annual revenues) and will be subject to adjustment upon issuance of final order from commission.

** California rate increase amount includes test year (2010) increase of \$26.1 m, and staged increase of \$6.6m effective in escalation year of 2011.

Index of Rate Case Status

- 1 - Case Filed
- 2 - Discovery (Data Requests, Investigation)
- 3 - Negotiations / Evidentiary Hearings / Briefings
- 4 - Recommended order issued / settlement reached, without interim rates
- 5 - Interim rates in effect, awaiting final order



Regulatory Policy Issues: Regulatory Lag

- **Historical test year with little or no ability to adjust**
 - Arizona
- **Historical test year with some ability to adjust for known and measurable changes to plant and/or operations & maintenance**
 - Hawaii
 - New Mexico
 - Iowa
 - Ohio
 - Indiana
 - Pennsylvania
 - Maryland
 - Virginia
 - Missouri
 - New Jersey
 - West Virginia
- **Projected/Future test year**
 - California
 - Illinois
 - Kentucky
 - New York
 - Texas

Historic Test Years create Regulatory Lag

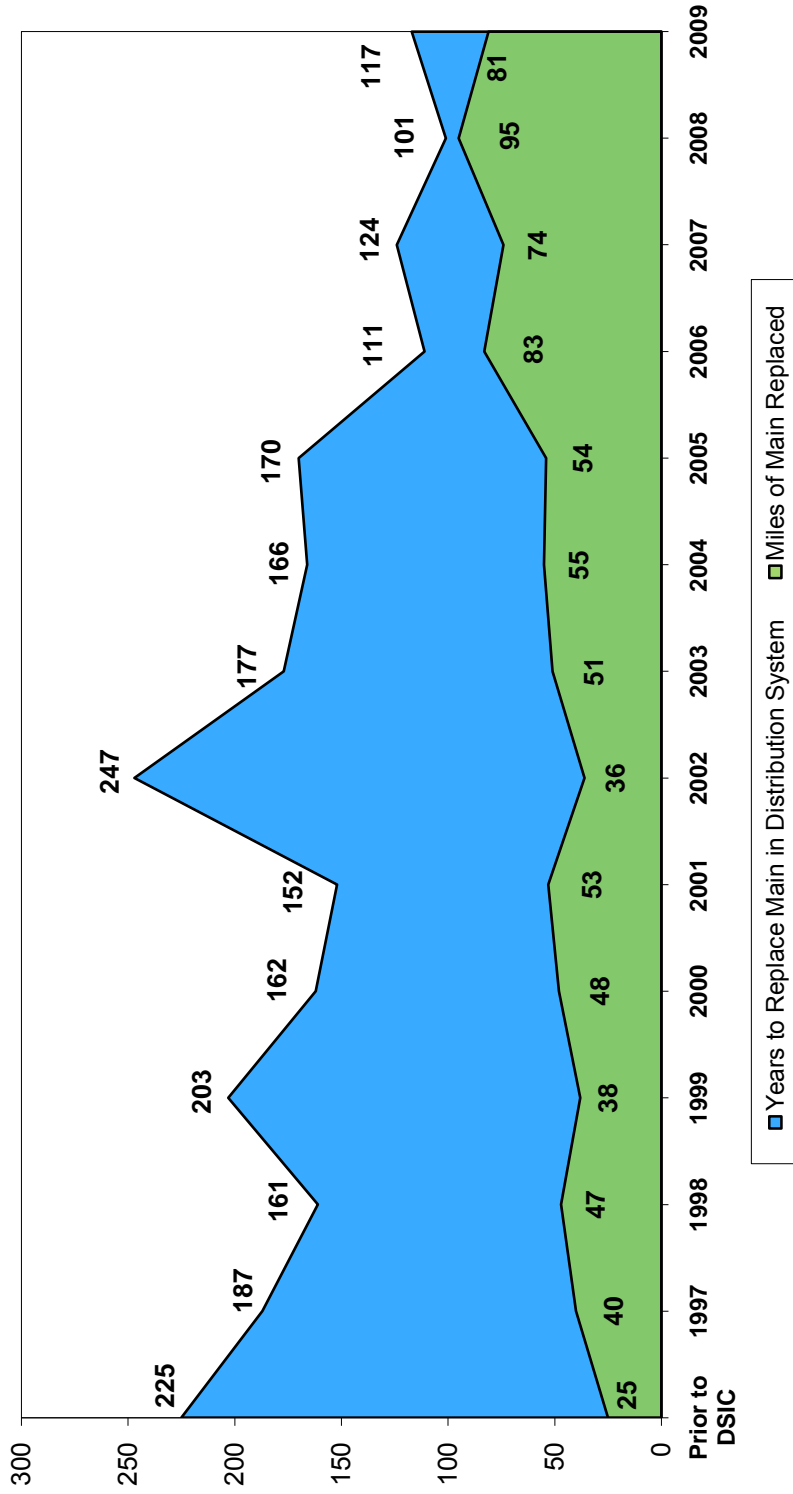
Regulatory Policy Issues: Addressing Regulatory Lag

- Infrastructure Charges allows companies to recover infrastructure replacement costs without necessity of filing full rate proceeding
- States that currently allow use of infrastructure surcharges
 - Pennsylvania
 - Indiana
 - Illinois
 - Ohio
 - Delaware
 - New York
 - Missouri (St Louis County)
 - California - Trial basis
- Surcharges are typically reset to zero when new base rates become effective and incorporate the costs of the previous surcharge investments

Infrastructure Surcharge - Recognition by regulators of importance of infrastructure for long term economic growth

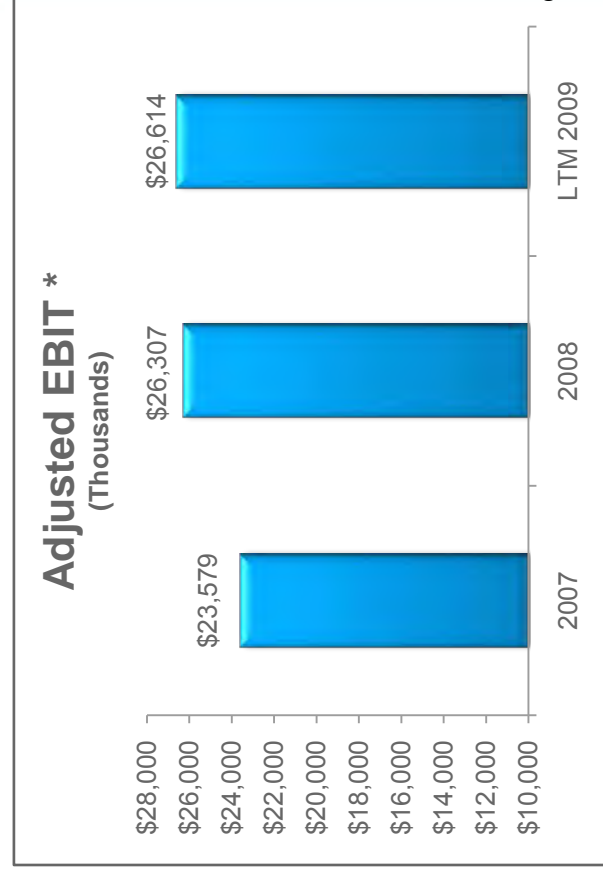
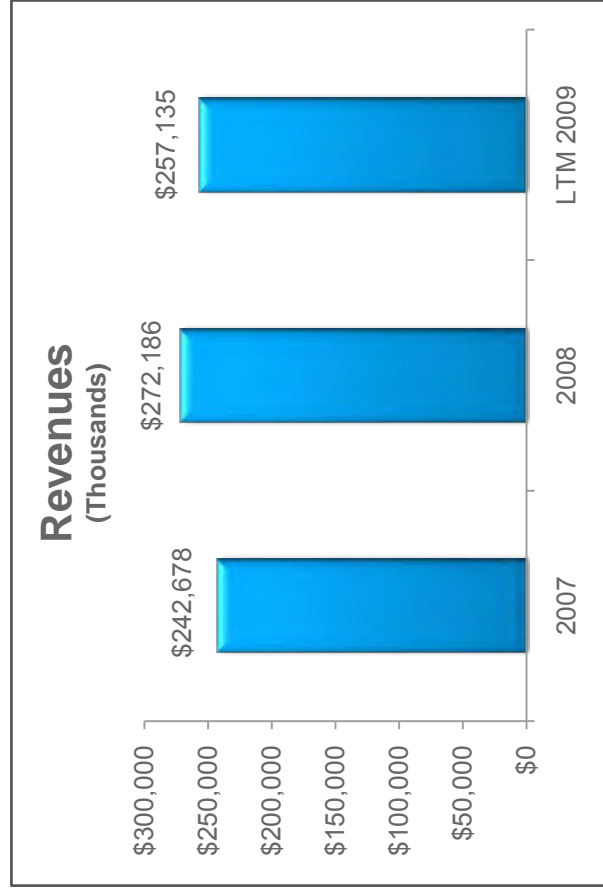
Distribution System Surcharge Results in Pennsylvania American Water

**Pennsylvania American Water Company
Miles of Main Replaced and Years to Replace Mains in Distribution System**



Non-regulated Financial Results

A complement to core competencies



Focused, disciplined approach ensures value to American Water

* Adjusted EBIT as defined in Company financial statements

American Water Liquidity Snapshot

(as of September 30, 2009)

Balance sheet information

	\$ in Millions
Property, Plant and Equipment*	10,532.1
Total Assets	13,345.7
Total Debt**	5,352.6
Total Equity	3,991.8

* Net of Depreciation

** Includes short-term and current portion of long term debt

Cash Flow Information:

	\$ in Millions
Cash Flows from Operating Activities	471.5
Cash Flows from Investing Activities	(526.2)
Cash Flows from Financing Activities	52.9
Construction Expenditures	(592.9)

Committed Credit Available

Bank	Commitment through 9/2012 (in thousands)	Commitment through 9/2013
JP Morgan Chase Bank, NA	115,000	---
Citibank, NA	115,000	115,000
Citizens Bank of Pennsylvania	80,000	80,000
Credit Suisse, Cayman Islands	80,000	80,000
William Street Commitment	80,000	80,000
Merrill Lynch Bank USA	80,000	80,000
Morgan Stanley Bank	80,000	80,000
UBS Loan Finance LLC	80,000	80,000
National City Corporation	50,000	50,000
PNC Bank, National association	40,000	40,000
The Bank of New York Mellon	40,000	---
TOTALS:	840,000	685,000

Credit Ratings

American Water accesses capital markets through American Water Capital Corp (AWCC)

	Moody's	S&P
Senior Unsecured Debt	Baa2	BBB+
Commercial paper	P2	A2

American Water is committed to a solid investment grade rating

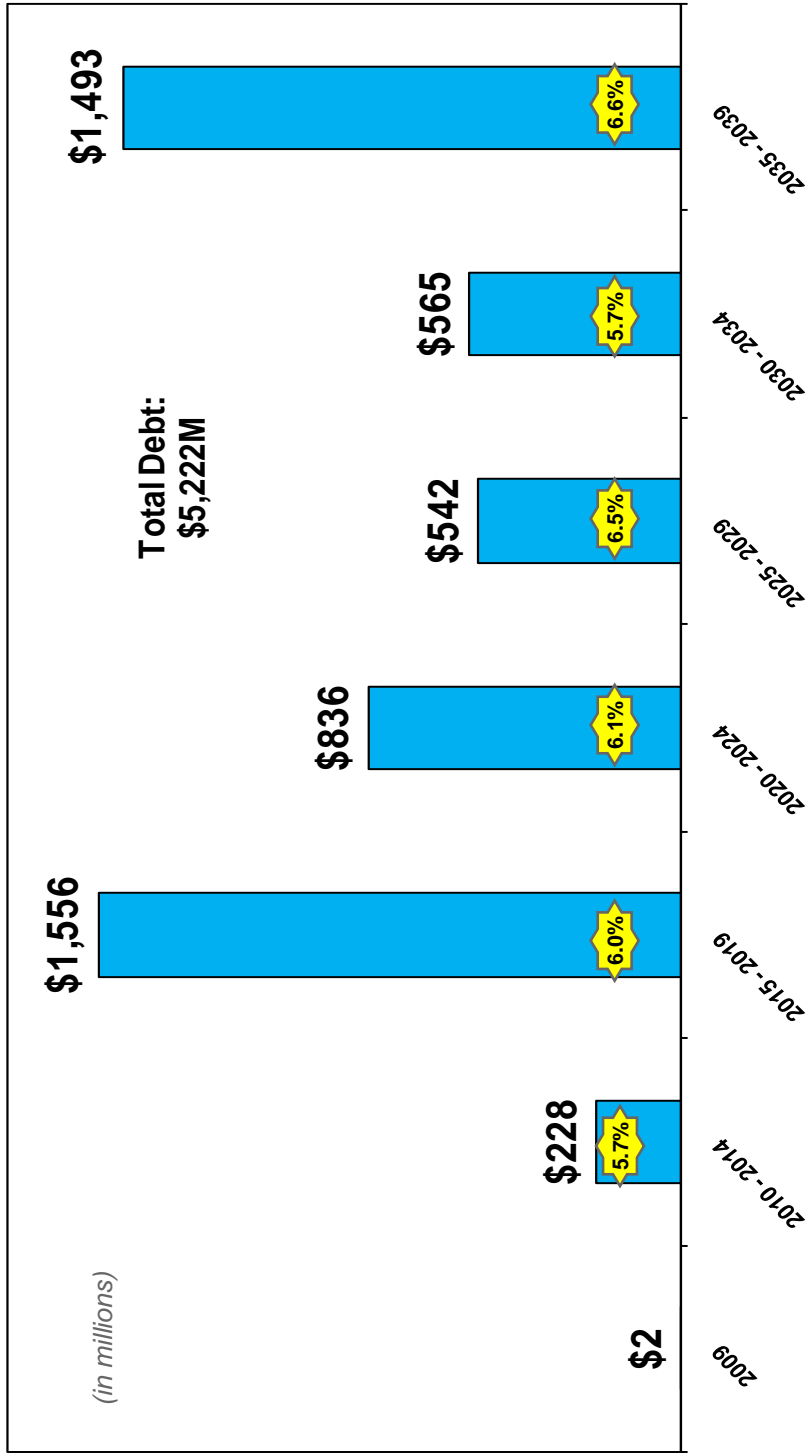
Credit Profile: 2007- 2009

Credit statistics	Year ended December 31,		Twelve Months ended
	2007	2008	
EBITDA*/Interest Expense	2.8x	3.0x 	3.2x 
FFO/Interest Expense	2.7x	3.0x 	3.4x 
FFO/Total Debt	9.1%	10.3% 	13.0% 
Total Debt/ EBITDA*	6.2x	6.2x	5.8x 
Total Debt/Capitalization	52.5%	56.4%	57.2%

* Adjusted for Goodwill Impairment charge (Non-GAAP Financial measure)

Long term Target of 45-50% Equity to Total Capitalization

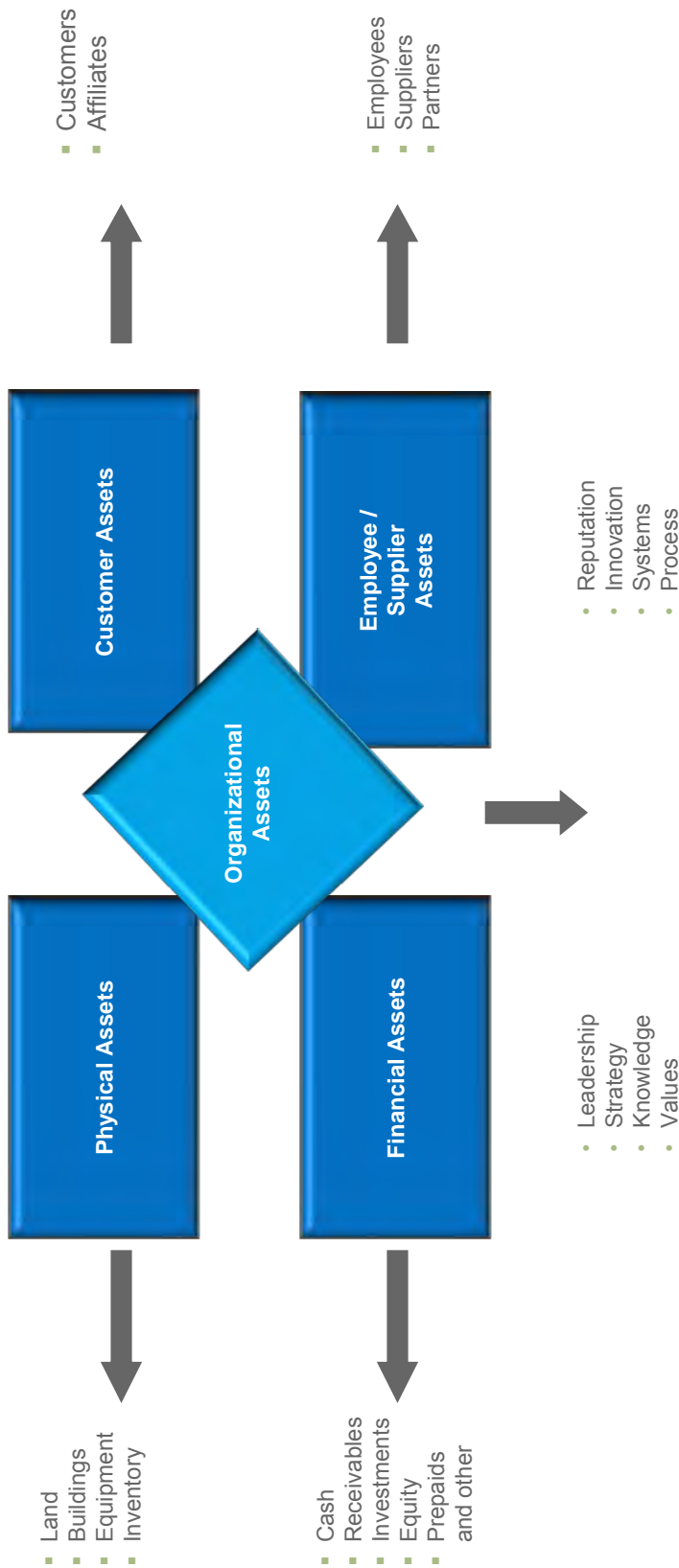
Debt Maturities



 Weighted Average Interest Rates

2009 – 2014 maturities: \$230 million

Risk Management: Expansion of focus to enterprise level



Change focus from protecting assets to enhancing strategy

American Water employs a robust Risk Management Matrix

Our Goal: Contribute to the creation, optimization and protection of enterprise value by managing our business risks as we create value in the marketplace

Program Objectives

**Reduce
Performance
Variability**

**Enhance
Corporate
Governance**

**Build
confidence of
investment
community and
stakeholders**

**Successfully
respond to
changing
business
environment**

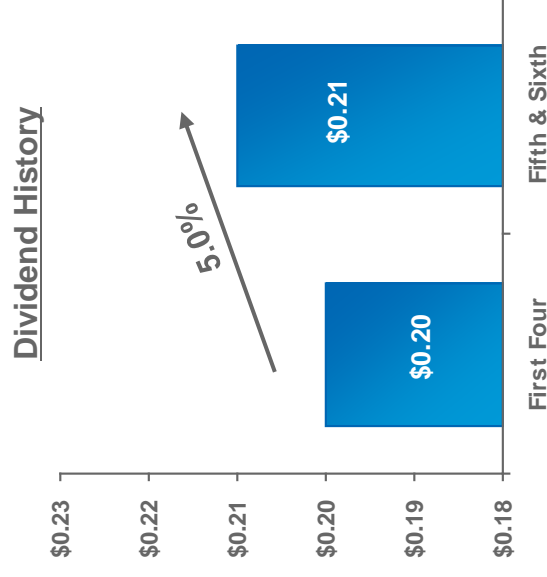
Areas of Focus

- Utility Regulation
 - Environmental Contamination
 - Utility Network Failure
 - Financial Market Disruptions
 - Material Misstatements
- Weather
 - Natural Disasters
 - Condemnation
 - Industrial Accidents
 - Work Stoppages
- Environmental Regulation
 - Commodity Pricing
 - Loss of Key Personnel
 - Business Development Process & Results

Returning Value to the Shareholder

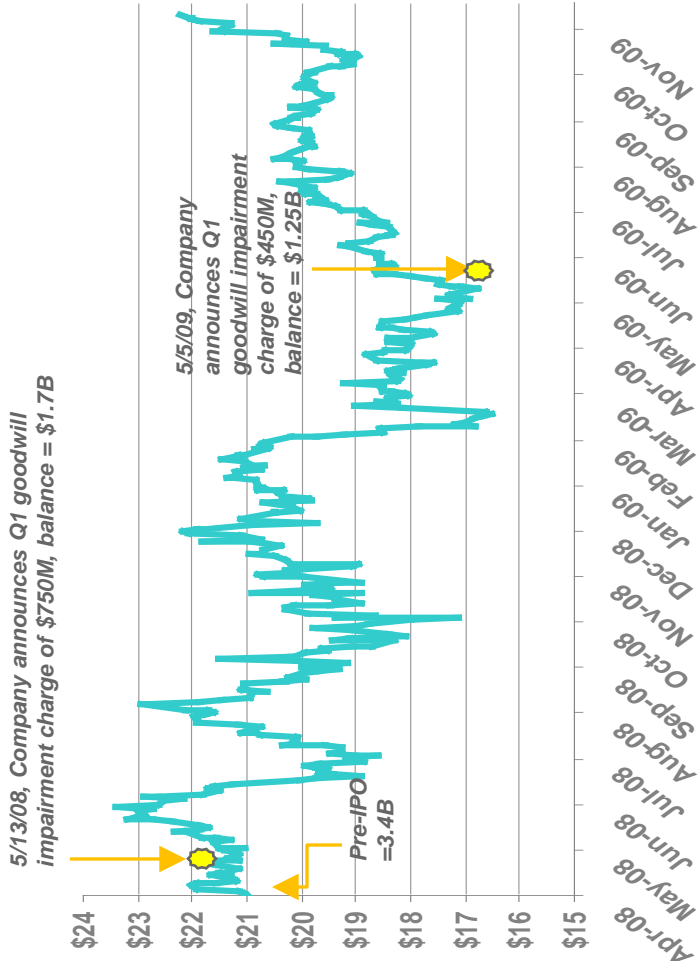
- **Declared six quarterly dividends since IPO**
 - Declared and paid six dividends
 - Paid sixth dividend of \$0.21 per share on December 1, 2009

- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of Net Income
 - Subject to approval by American Water's Board of Directors





Goodwill Impairment Review at American Water



Goodwill Impairment Reviews

- Annual reviews are performed as of November 30 each year
- Interim reviews are performed when the company determines that a triggering event that would more likely than not reduce the fair value of a reporting unit below its carrying value has occurred

Factors considered:

- ✓ Declines over period of time of the Company's stock price
- ✓ Decline over period of time in valuation multiples of comparable water utilities
- ✓ Lack of increase in Company's market price consistent with peer companies
- ✓ Decreases in control premiums and overhang effect
- ✓ Decline in forecasted results in the business plan

Source: Bloomberg Data Systems, AWK SEC filings

- Stock price last impairment: \$17.66
- Stock price as of close 11/30: \$22.24

Calculation of Return on Equity (as of 9/30/09)

(In thousands)

American Water Consolidated

- Equity: \$3,991,809
- Debt: \$5,352,600
- Goodwill: \$1,250,067

- Debt: \$5,352,600
- Parent Company Debt: \$1,250,067
- Total Debt at Subsidiaries: \$4,102,533

- Equity: \$3,991,809
- LTM Adjusted Net Income ⁽¹⁾: \$259,542
- ROE excluding Parent Debt: 6.5%

Note:

(1) Adjusted Net Income excludes interest expense related to goodwill. Debt related to goodwill at 6.5% interest, 39% tax rate

American Water Summary Financial and Operational Outcomes

Revenues (thousands)

FY2007:	\$2,214,215
FY2008:	\$2,336,928
2009 LTM:	\$2,411,417



Cash Flow From Operations (thousands)

FY2007:	\$473,712
FY2008:	\$552,169
2009 LTM:	\$630,807

Adjusted EBIT (thousands)

FY2007:	\$523,667
FY2008:	\$558,081
2009 LTM:	\$606,667

Total Return to Shareholder **

Since IPO:	10.0%
Since 2 nd Tranche:	31.7%
Since 3 ^d Tranche:	16.7%
Since Final Tranche:	2.8%

* Adjusted EBIT as defined in Company financial statements

** Total Return to Shareholder includes dividend reinvested in security and is a holding period return. Source: Bloomberg

** Total Return to shareholder measured from pricing of transactions



WE CARE ABOUT WATER. IT'S WHAT WE DO.





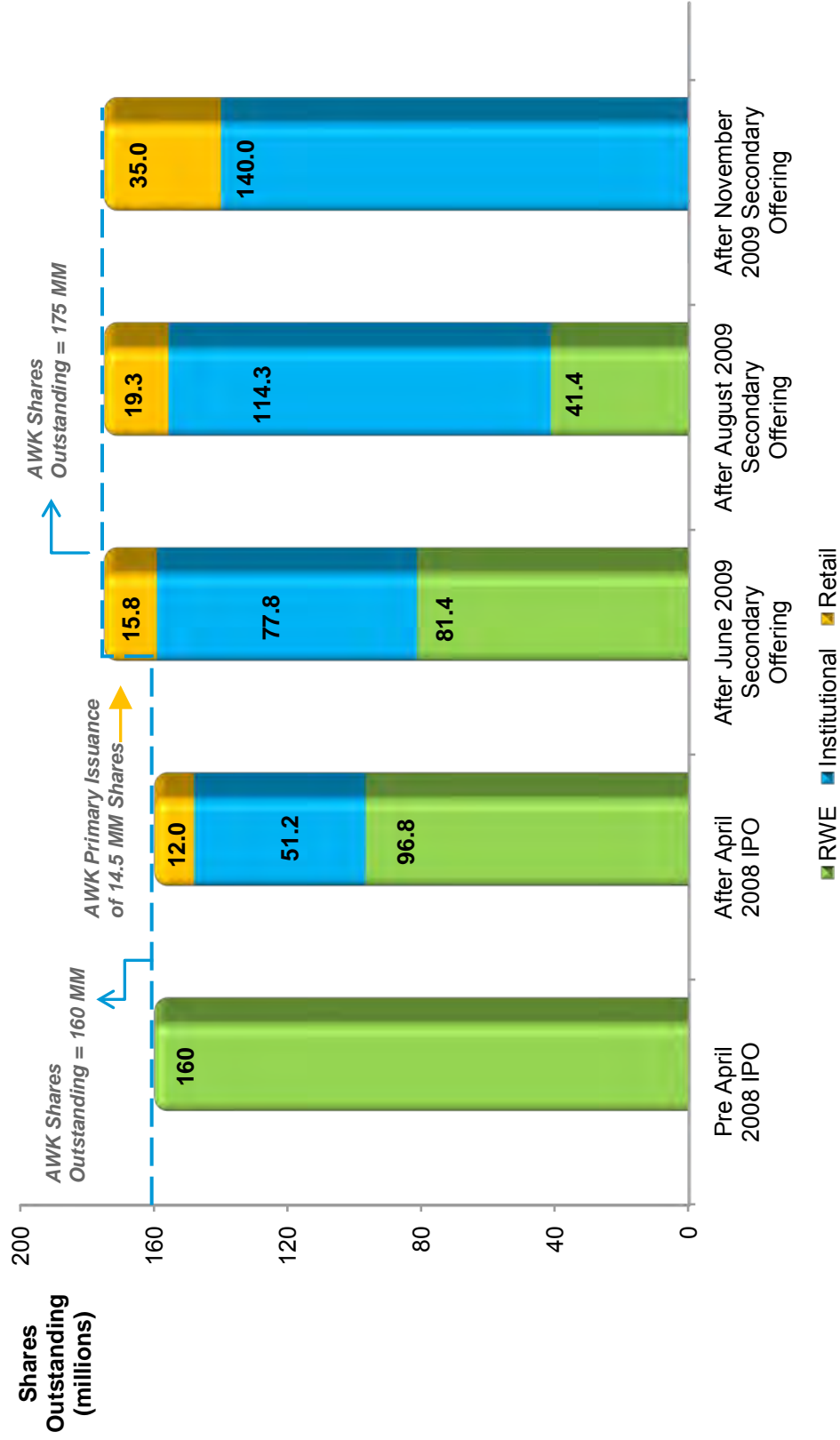
AMERICAN WATER

Investor Relations Ed Vallejo Vice President Investor Relations



Investor Conference
December 7, 2009

Ownership in American Water



After 4 tranches and 3 years after RWE announcement of divestiture, American Water is 100% investor owned

AMERICAN WATER

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WORKING WITH US

ENSURING WATER QUALITY

LEARNING CENTER

INVESTOR RELATIONS

PRODUCTS & SERVICES

NEWS ROOM

PROTECT OUR WATER

ABOUT US

We are proud to provide our customers with high-quality water and wastewater service.

AMERICAN WATER SOLUTIONS

We have more than 120 years of experience in the water industry and put it to use for communities all over the country every day.

WORKING WITH US

[Investment in Infrastructure](#)

NEWS

WHY AMERICAN WATER?

It's not always apparent just how far into our daily lives water reaches. We just know that when we need it, we expect it to be there. How it gets there, and more importantly, ensuring that it is of high quality is what our skilled teams care most about.

2008 ANNUAL REPORT

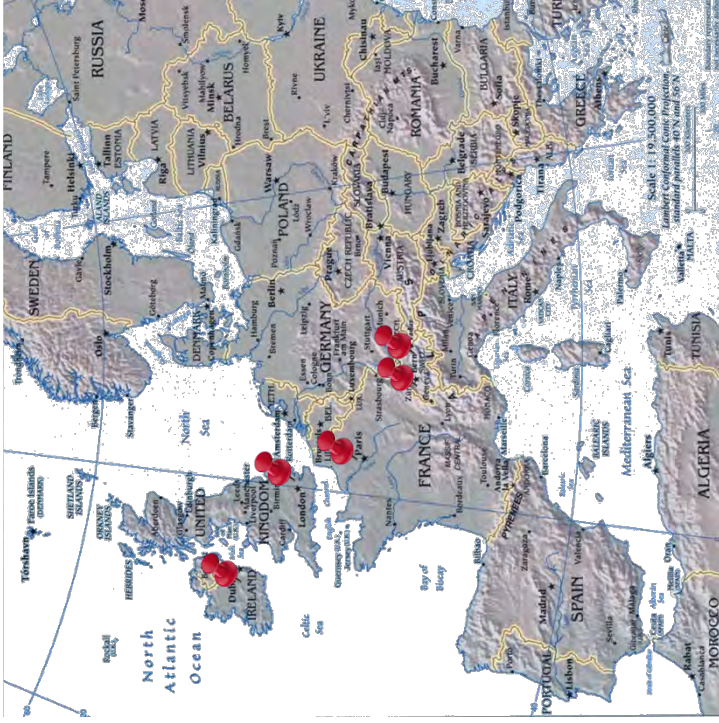
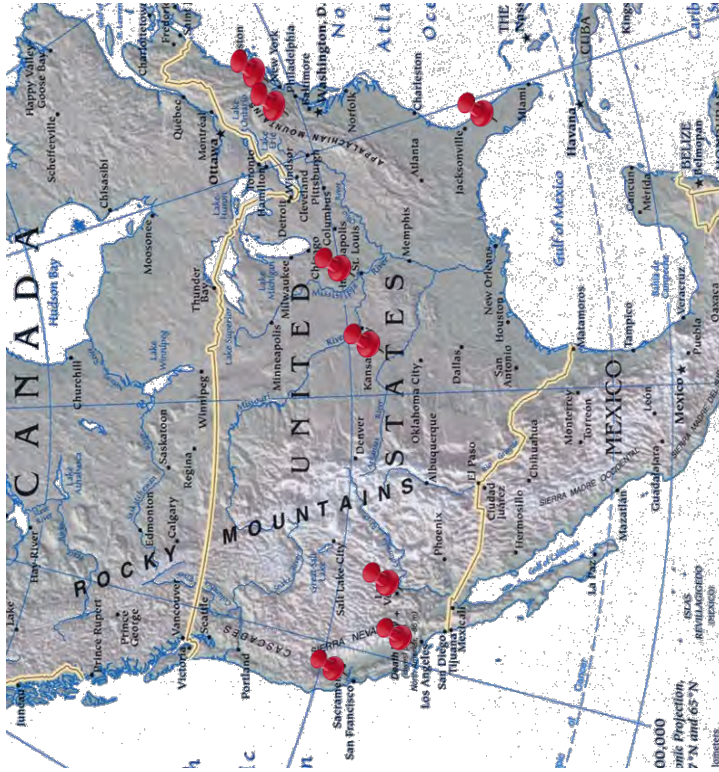
HEADLINES

NOV 08 10:54 AM EST - 20 11 2008

- 11/17/2008 American Water CEO Don Cornell Joins Panelists in Water Forum
- 11/17/2008 American Water Issues Comments on Bill
- 11/16/2008 American Water Announces Secondary Director, Bill Collins

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Investor Relations Activities – First Half of 2010



New York

3/2010: Janney Conference
6/2010: Citi Conference

Philadelphia

6/2010: Retail Investor Outreach

St. Louis

6/2010: 1x1 visits

Kansas City

6/2010: 1x1 visits

Orlando

2/2010: Retail Investor Outreach

Las Vegas

5/2010: Retail Investor Outreach

San Francisco

2/2010: 1x1 visits

Los Angeles

2/2010: 1x1 visits

Paris

1/2010: Soc Gen Conference
4/2010: GWI Conference

Geneva

4/2010: 1x1 visits

Zurich

4/2010: 1x1 visits

Ireland

4/2010: 1x1 visits

London

4/2010: 1x1 visits

Upcoming Targeted Financial Report Dates

	<u>Earnings Release</u>	<u>Earnings Call</u>
2009 10K	March 1, 2010	March 1, 2010
First Quarter 2010	May 4, 2010	May 5, 2010
Second Quarter 2010	August 4, 2010	August 5, 2010
Third Quarter 2010	November 3, 2010	November 4, 2010

American Water Investor Relations Group

- Accessibility to management
- Full transparency
- Delivering information in a timely and accurate manner
- Enhancing shareholder value through open communication

Investor Relations Contacts:

- Ed Vallejo
Vice President – Investor Relations
Edward.vallejo@amwater.com
 - Muriel Lange
Manager – Investor Relations
Muriel.lange@amwater.com
 - Cathy DeMots
Executive Assistant
Cathy.demots@amwater.com
- Tel: 856-566-4005
Fax: 856-782-2782



AMERICAN WATER

Don Correll
President and Chief Executive
Officer

Recap



Investor Conference
December 7, 2009

Executive Summary

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Continue allocation of capital for investments in regulated water and wastewater projects
- Continue growth of Regulated Businesses through focused acquisitions
- Continue to pursue “regulated-like” opportunities & complementary lines of business
- Continue focus on operating efficiencies

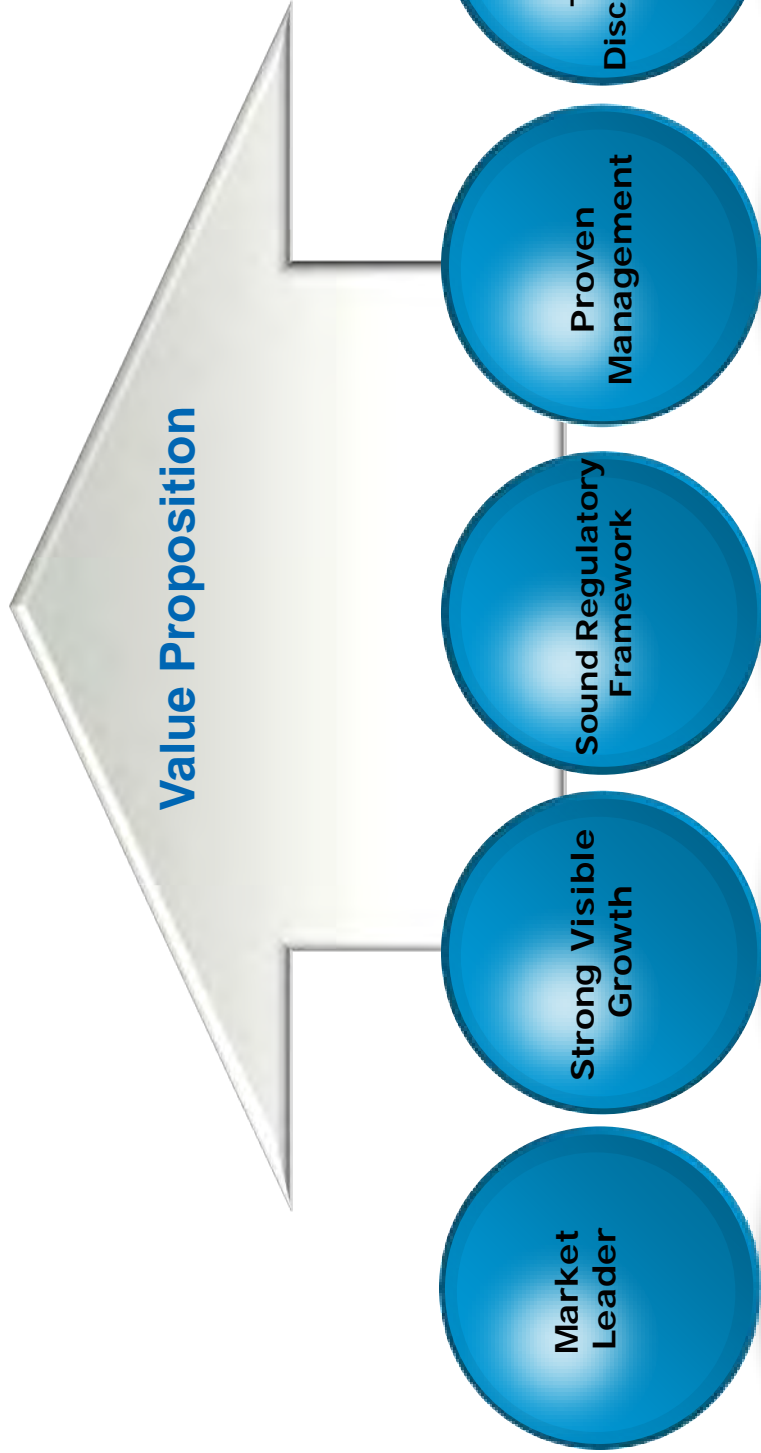
Results

- Annual EPS growth of 7-10 %
- Dividend growth with 50-70% Payout Ratio
- Improving financial profile
- Shareholder returns in top quartile
- Increased market share
- Recognized as Premier Water Solutions Provider

American Water – A Compelling Value



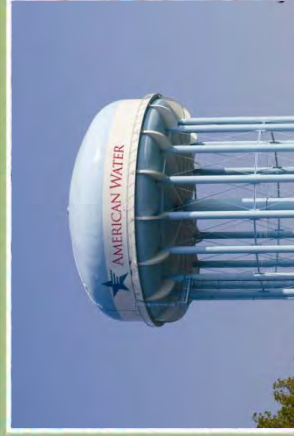
AMERICAN WATER





WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Appendix



Investor Conference
December 7, 2009

Goodwill Impairment Review at American Water

American Water uses a two-step goodwill impairment test

Step 1 compares

- Calculated fair value for each of AW's reporting units considering:
 - Internal DCF analysis
 - Market multiples
- Net carrying values (book values), including goodwill
- Result is reconciled to market capitalization (thirty day period stock price) and rationalized by:
 - Control premium and
 - Overhang

Step 2 compares

- Implied fair value of goodwill
 - The fair value of goodwill is adjusted so that the fair value of the reporting unit equals the fair value of the underlying assets and liabilities
- Net carrying value (book value) of goodwill
- If carrying value of goodwill exceeds implied fair value of goodwill, an impairment loss is recognized

If Step 1 shows that fair value is lower than carrying value or fair value cannot be reconciled to average market capitalization (stock price) then Step 2 is required

Completed Debt Financings Since September 2008

Borrower	Underwriter	Coupon	Tenure	Status	Date	
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	4-Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.20%	30 Years	Completed	8-Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13-May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9M Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May
\$45.39M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley/Ross Sinclair	6.25%	30 Years	Completed	23-Jun
\$26M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley	5.63%	30 Years	Completed	10-Sep
\$28.5M Tax-Exempt Unsecured Notes	AWCC	Stifel, Nicolaus & Co.	5.25%	30 Years	Completed	1-Oct
\$134.225 Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.70%	30 Years	Completed	20-Oct
\$10.5M Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.00%	30 Years	Completed	20-Oct
\$93M Tax-Exempt Secured Notes	PA American	Morgan Stanley	5.50%	30 Years	Completed	1-Dec
\$60M Senior Unsecured Notes	AWCC	Edward Jones	6.00%	30 Years	Completed	4-Dec

* Actual Investors.

Case in Point: Industry Infrastructure Replacement Charges as part of the answer for Regulatory Lag

- Infrastructure Replacement Surcharges: currently exist in at least 8 states (CT, DE, IL, IN, MO, NY, OH, PA)

Approximate Utility Plant Placed in Service Under Infrastructure Surcharge Programs (AW)	
--	--

Illinois QIP (2005 - 2008)*	\$ 34,568,337
Indiana (2003 - 2008)	\$ 68,289,680
Missouri (2003 - 2008)	\$ 143,576,508
Ohio (2005 - 2008)	\$ 3,350,057
New York (2004 - 2008)	\$ 10,080,000
TOTAL (without Pennsylvania)	\$ 259,864,582
Pennsylvania (1997 - 2007)	<u>\$ 557,000,000</u>
TOTAL - AW	\$ 816,864,582

* Dates do not necessarily correspond to authorization of DSIC-like program because of rate case timing

Rate Case Awards: 2008-2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>ROE Granted</u>	<u>Amount Granted</u>	<u>Rate Base (Approved)</u>
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc.)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan	N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
Calif (Monterey Water)	A 08-01-027	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California (Monterey WW)	A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California (Gen Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A
Maryland	9187	4/30/2009	\$0.8	11.75%	9/10/2009	10.75%	\$0.6	\$11.6
Iowa	RPU-2009-0004	4/30/2009	\$9.4	12.20%	7/27/2009	10.50%	\$6.1	\$82.4
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	11/7/2009	10.80%	\$30.8	\$1,840.2
Texas	2008-0910-UCR	2/21/2008	\$0.9	12.00%	11/30/2009	12.00%	\$0.5	\$5.5
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	12/1/2009	9.90%	\$8.1	\$154.7
Total General Rate Cases							\$268.6	
Total Infrastructure Surcharges							\$45.0	



Adjusted EBITDA Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	6,859
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	285,155
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(14,497)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$869,263
						\$911,398

Adjusted Net Income Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$194,048
						\$212,773

Adjusted Earnings Per Share Reconciliation

	Historical								
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009	Q3 2009
(\$ in Thousands, except per share data)									
Net Income (Loss) from Continuing Operations			\$45,498	\$88,158	\$36,407	(\$562,421)	(\$413,079)	\$51,989	\$91,636
Adjustments									
Add: Impairment charges	509,345	750,000	0	0	0	750,000	450,000		
Less: Income Tax Benefit relating to impairment charge	(7,830)	(11,525)	0	0	0	(11,525)	(6,976)		
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054	29,945	51,989	91,636
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32	\$0.52
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32	\$0.52

Adjusted EBIT Reconciliation

	LTM	
	Regulated	Non-Regulated Consolidated
Income before taxes		(109,959)
Other		10,572
Interest, net		(66,101)
Impairment Charges		(450,000)
Segment Income	365,899	395,570
Amortization of Debt expense	5,725	5,725
Preferred Dividends	225	225
Interest, net	229,184	226,127
Allowance for borrowed funds during construction	(7,645)	(7,645)
Allowance for other funds during construction	(13,335)	(13,335)
Adjusted EBIT	580,053	26,614

Rate Base Calculation

(1) Rate Base as of September 30, 2009	
Utility Plant	10,387,732
Less	
Advances for Construction	633,842
CIAC - Contributions in Aid of Construction	961,667
Deferred Tax and Def Income tax credits	811,790
Deferred Investment Tax Credits	32,819
	2,440,118
TOTAL	7,947,614



AMERICAN WATER

Institutional Investor Meetings

November 2009



Cautionary Statement Concerning Forward-Looking Statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.



AMERICAN WATER

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

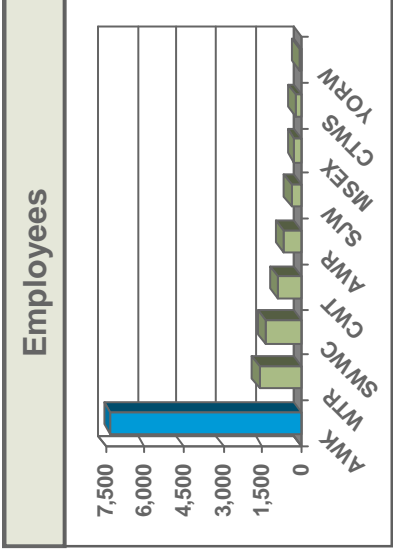
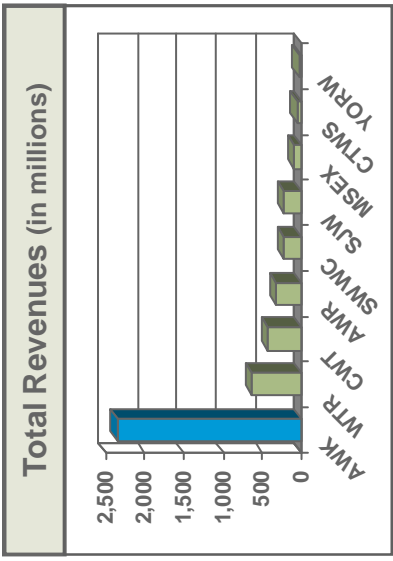
Proven Management

*with extensive water utility
industry expertise*

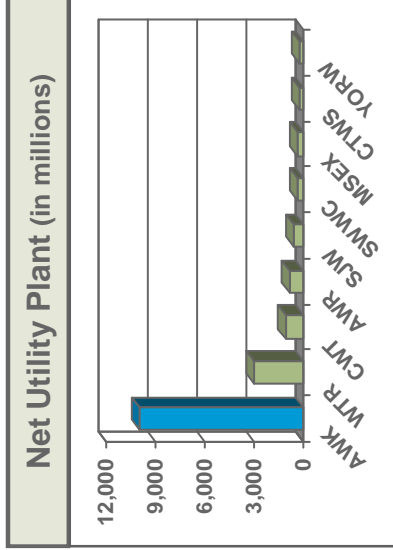
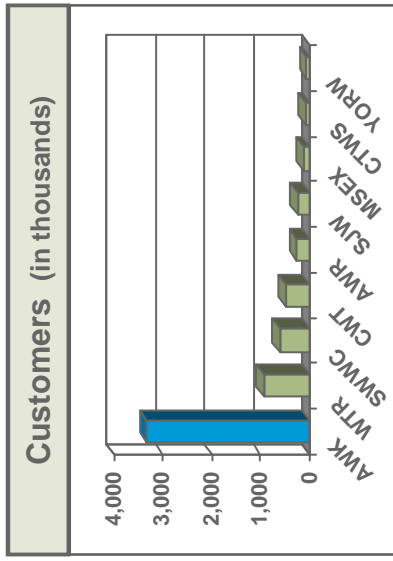
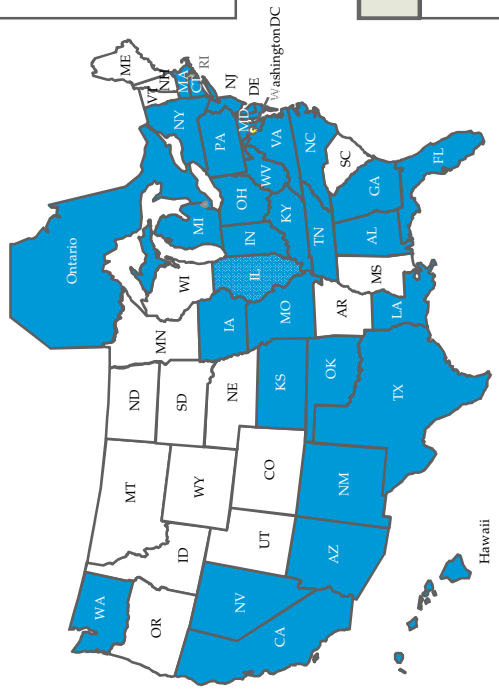
*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*



The Largest Water Services Provider in North America



American Water's National Presence



Note: All data is as of December 31, 2008.



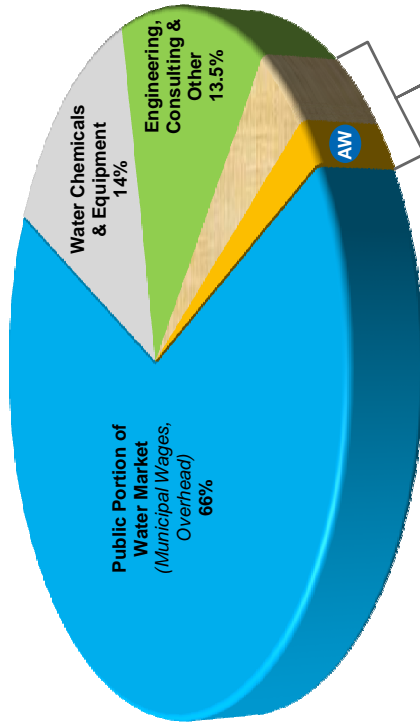
American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services



American Water comprises approximately 2.2% of the \$90.5 Billion U.S. Water Market



- Services Provided**
- Private Ownership
 - Operations & Maintenance
 - Design/Build/Operate
 - Water Line Protection

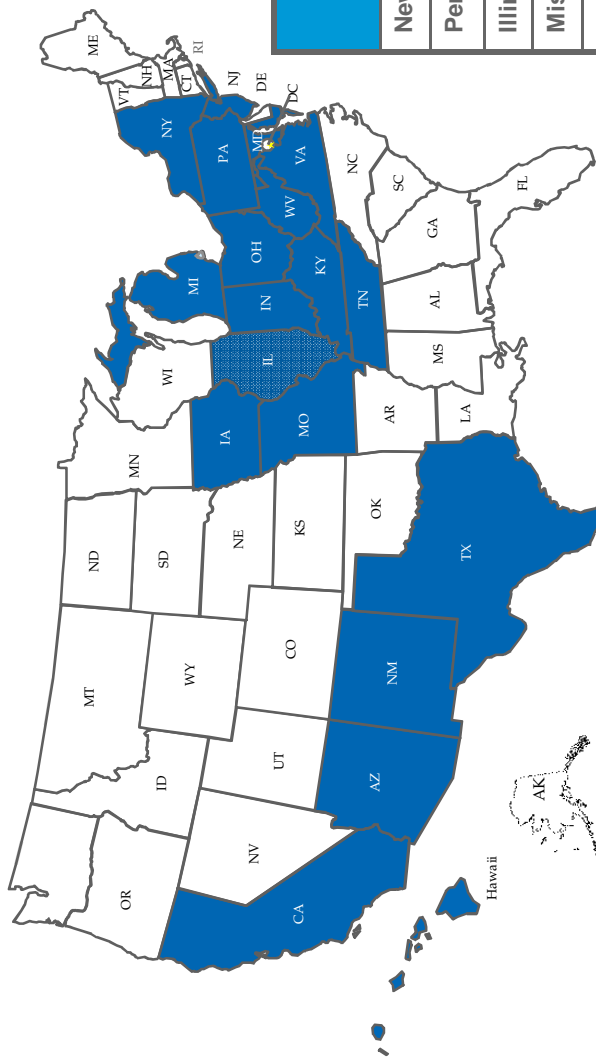
- Markets Served**
- Municipalities
 - Residential
 - Commercial
 - Industrial
 - Military

By providing value-added services American Water will continue to expand its market share

Sources: Public Works Financing 2004, Environmental Business Journal, AWK SEC filings



American Water's Regulated Presence



State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.



Our Non-Regulated Businesses: A Complement to Core Competencies



Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park, NY



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- Two pilot plants
 - Monterey, CA
 - Laredo, TX



Design, Build and Operate

- Over 20 projects
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA



Contract Operations

- Over 240 contracts
- Serving 3 million people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ



Military Bases Privatization

- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Scott Air Force Base, IL
- Fort Meade, MD
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA
- Fort Belvoir, VA



Homeowner Services

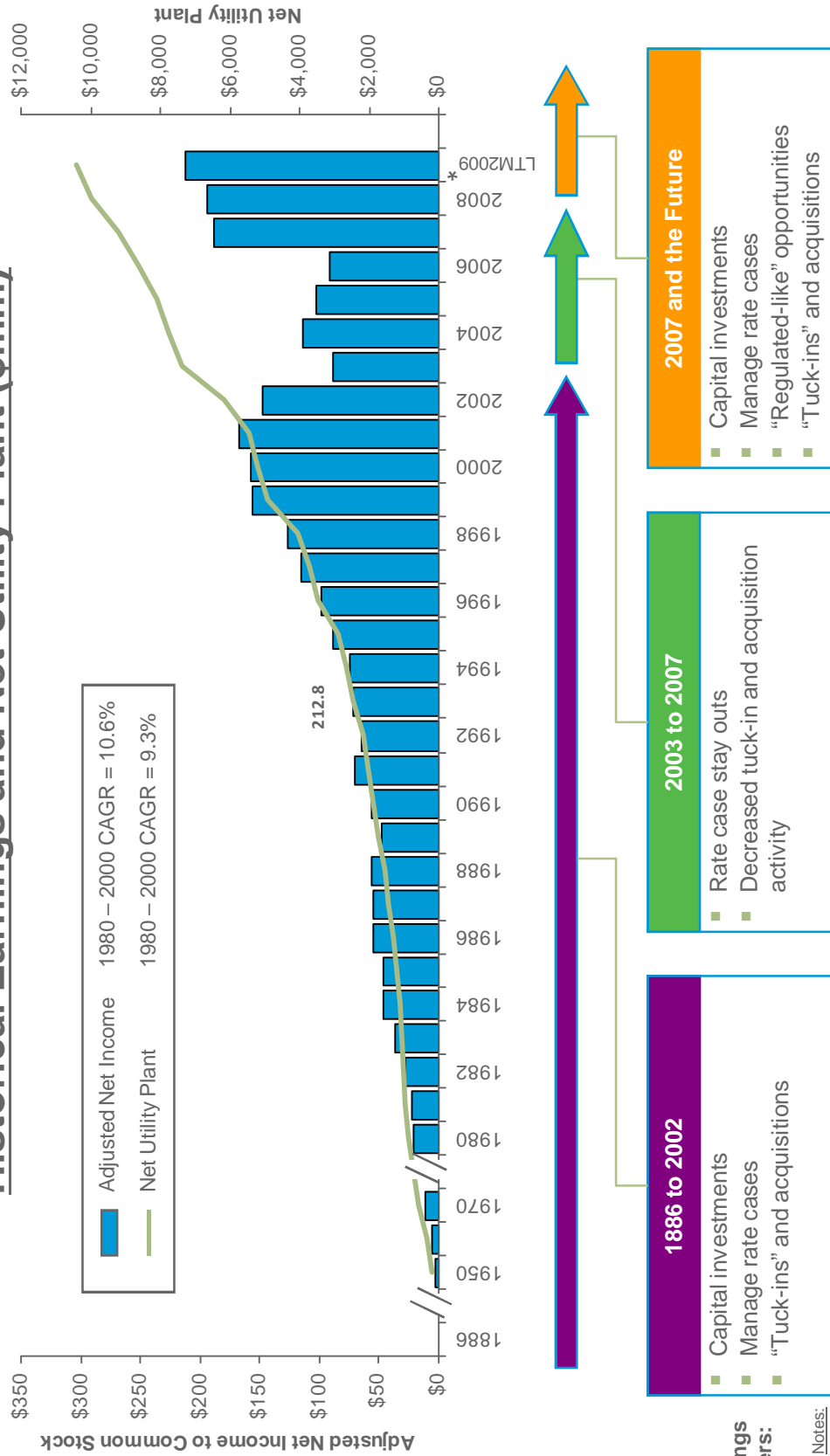
- Over 730,000 contracts
- 16 states

For LTM (as of September 30, 2009), AWK reported \$257.1 million of Non-Reg operating revenues



The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 *Last Twelve Month (LTM) period ending 9-30-2009
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E:Town included from 2003 onward. NEI included from 1999 onward.

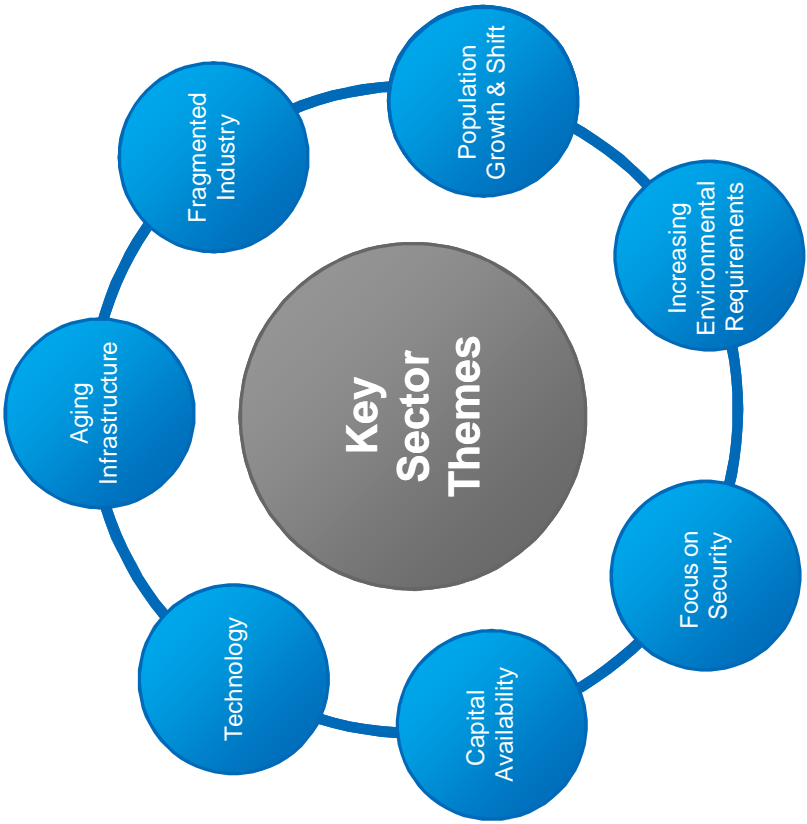


AMERICAN WATER

The US Water Industry



Water Industry Poised for Significant Growth



American Water Opportunities

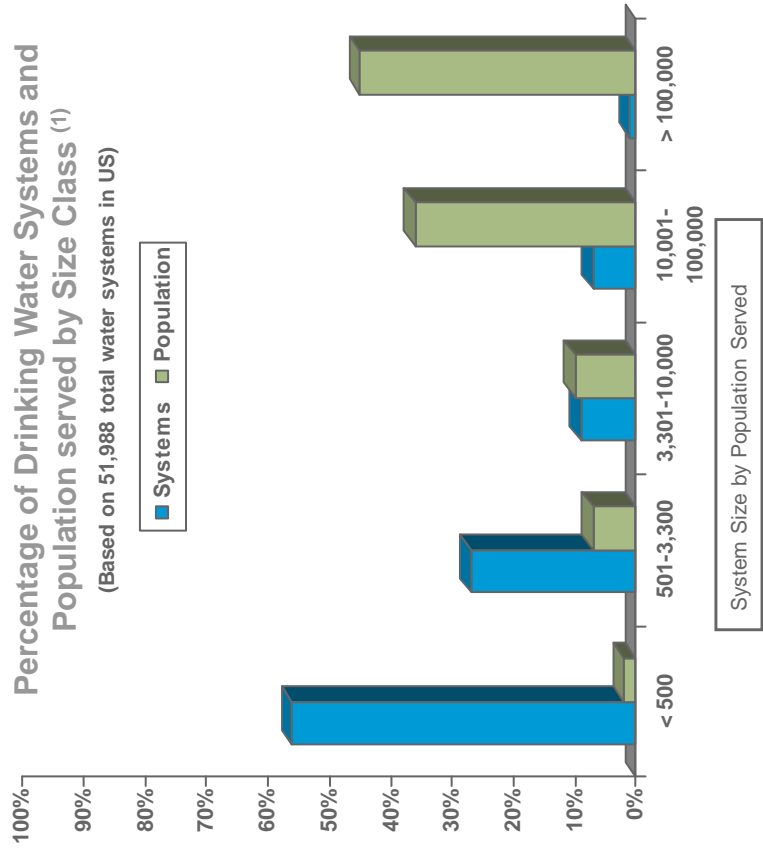
- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

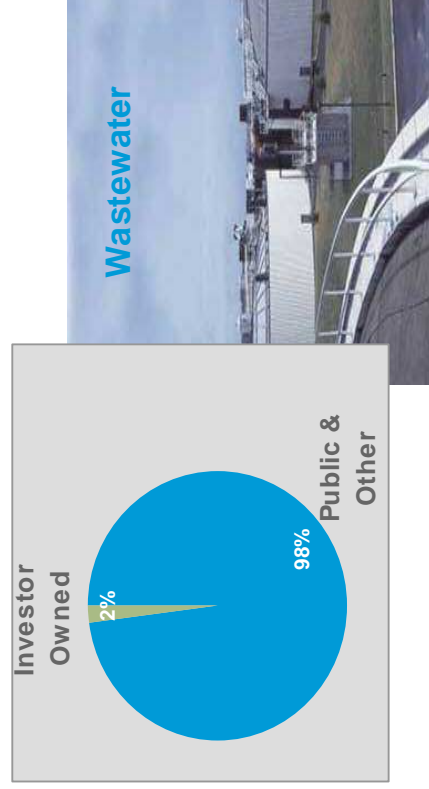
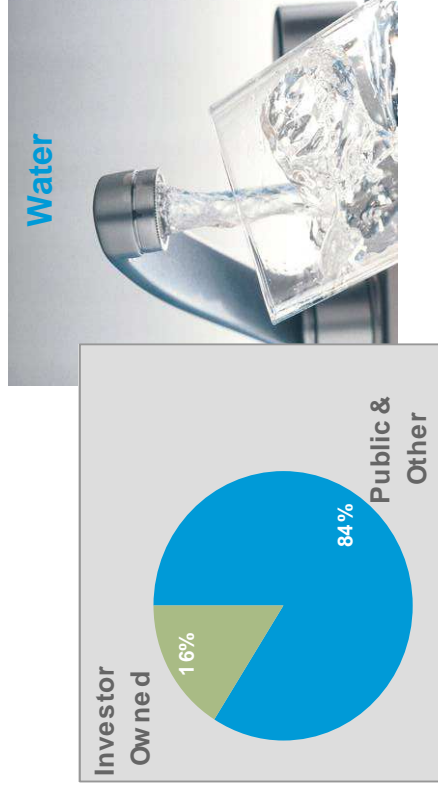
American Water is the industry leader and best positioned to take advantage of these growth opportunities



The US Water Industry remains highly fragmented and with limited Investor ownership



(1) Source: EPA, Drinking and Ground Water Statistics, 2008.



The majority of water systems in the US are owned by capital constrained entities



Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US Public Water Systems

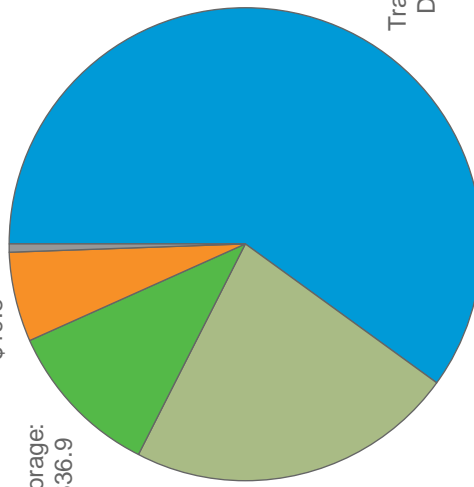
American Society of Civil Engineers (ASCE) grades US infrastructure

Total: \$334.8 Billion

Source: Other: \$19.8 \$2.3

Storage: \$36.9

Treatment: \$75.1



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

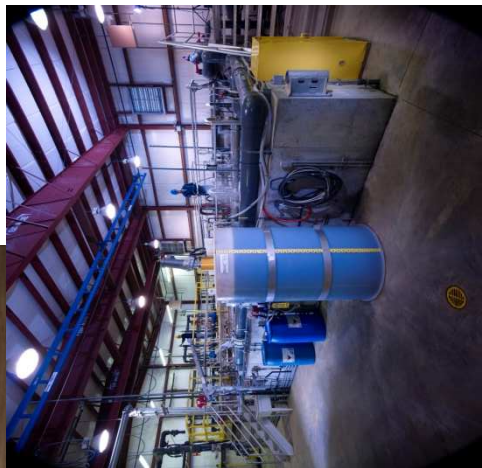
Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment. In billions, adjusted to January 2007 dollars.



Physical condition of wastewater treatment systems also poor due to lack of investment



SPORTS

PAGE A2:
Mets clinch World Series

PAGE A2:
American Water trades at \$40

San Francisco Chronicle

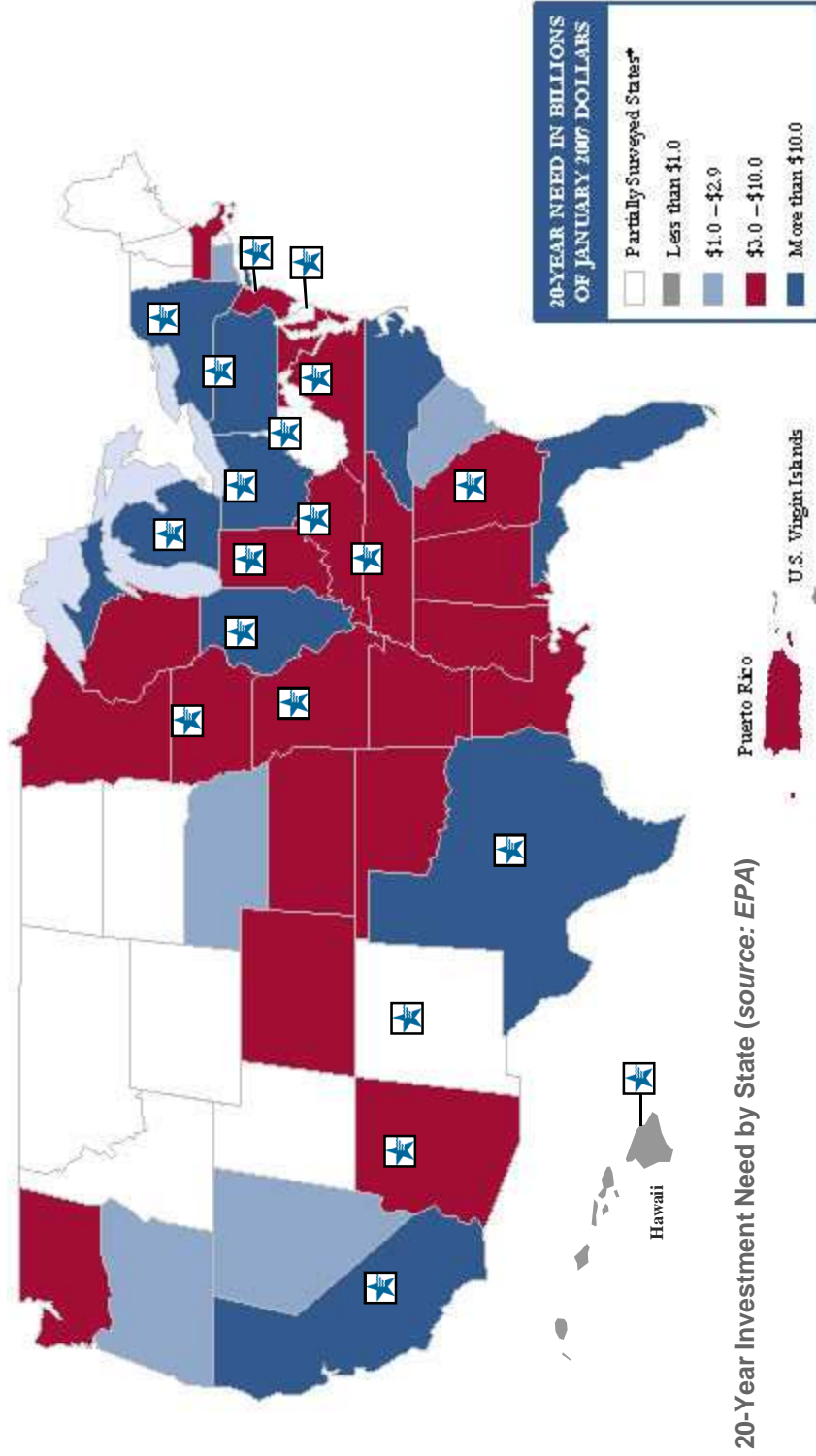
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Wastewater investment needs

- U.S. EPA: \$202.5 billion, an increase of \$16.1 billion (8.6%) since the previous analysis was published in January 2004.
- The EPA Gap Analysis estimated that over the next two decades the United States must spend nearly \$390 billion to replace existing wastewater infrastructure systems and build new ones
- The Congressional Budget Office (CBO) estimated that for the years 2000 to 2019, annual costs for investment would need to be between \$13 billion and \$20.9 billion for wastewater systems



Investment needs are larger in heavily-populated & fast growing areas that closely mirror American Water's footprint

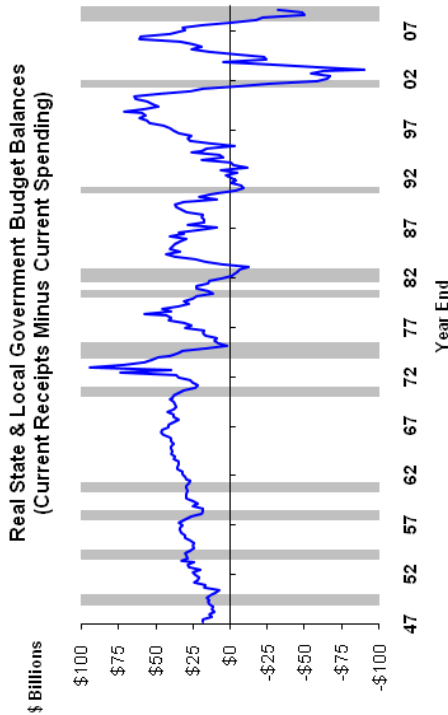


Note: Does not include needs for American Indian and Alaskan Native Village water systems.

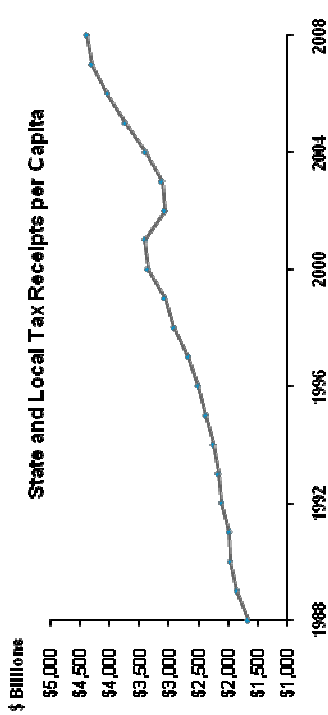


Municipalities are facing economic challenges that may not allow needed infrastructure spending

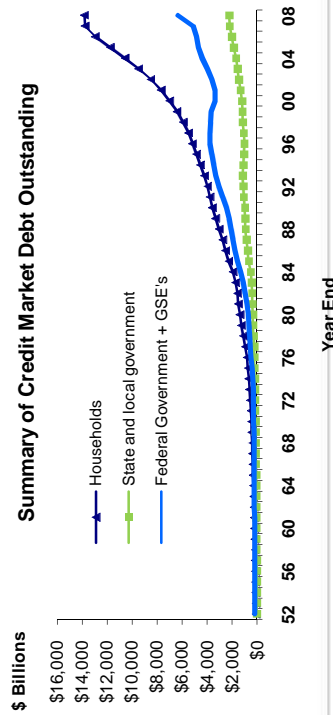
- State and local government budget balances have recorded largest percentage decreases in last 50 years*



- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels



- Offsetting funding shortfalls by increased debt borrowings may also not be viable in current economic climate



*Shaded Area = Recession.
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates).



Our Strategic Direction

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies



AMERICAN WATER

Financial Overview



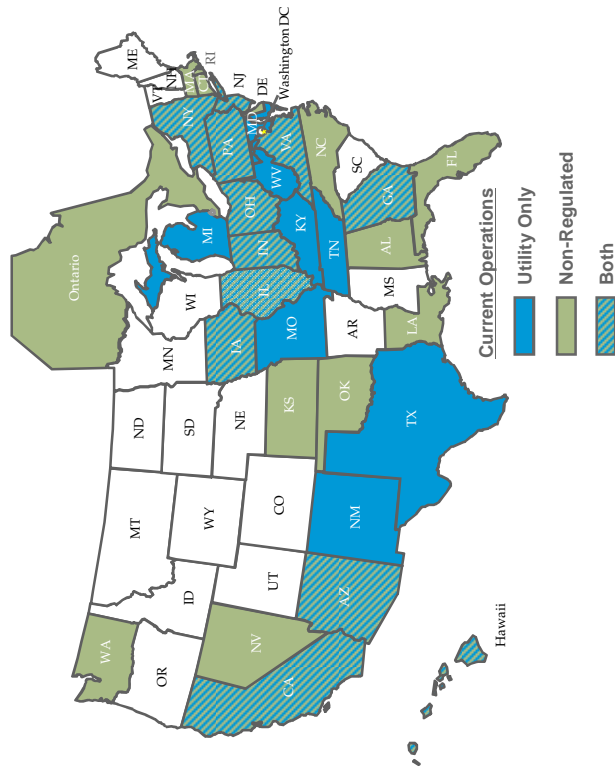
American Water Overview⁽¹⁾

Regulated Businesses:

- \$2,177 mm in Revenues
- \$580 mm in Adjusted EBIT⁽²⁾
- Assets owned⁽³⁾
 - 48,000 miles of mains and collection pipes
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams

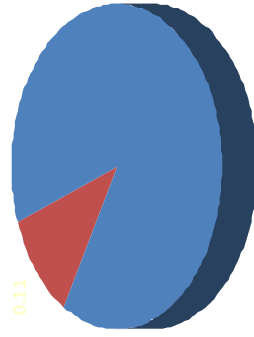
Non-Regulated Businesses:

- \$257 mm in Revenues
- \$27 mm in Adjusted EBIT⁽²⁾



LTM Net Operating Revenues⁽¹⁾

Non-Regulated



Regulated

Net Operating Revenues: \$2.4 billion

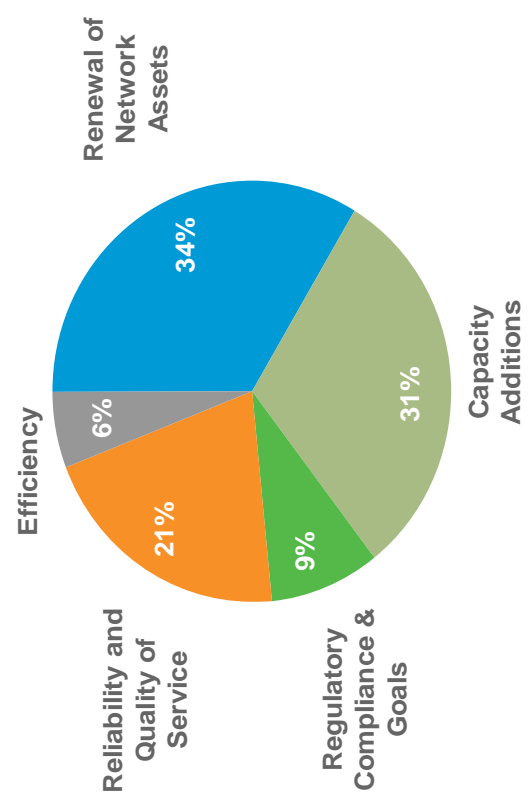
(1) Revenues and Adjusted EBIT are LTM as of September 30, 2009.
 (2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.
 (3) Asset data shown is estimated as of December 31, 2008.



Capital Expenditures Overview

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



Projected Net Capex⁽¹⁾ of \$4.0 - \$4.5 billion (2009-2013)

(1) Net capex defined as gross capex less advances and contributions in aid of construction.



General Rate Cases Awaiting Final Order as of November 9, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>	<u>Filing Status</u>
Hawaii *	2007-0180	11/1/2007	\$1.3	10.60%	\$24.9	5
Texas *	2008-0910-UCR	2/21/2008	\$0.9	12.00%	\$6.7	5
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	\$203.3	3
California ** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	\$215.8	2
Indiana	43680	4/30/2009	\$46.9	12.00%	\$670.5	2
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	\$74.8	2
Illinois	09-0319	5/29/2009	\$58.6	12.25%	\$610.3	2
Arizona (Anthem, etc.)	W-01303A-09-0343	7/2/2009	\$20.6	12.25%	\$220.4	2
New Mexico (Edgewood)	09-00156-UT	8/21/2009	\$0.7	12.25%	\$4.0	2
Missouri	TBD	10/30/2009	\$48.7	11.60%	\$792.3	1

* Interim rates implemented (\$1.1m add'l annual revenues) and will be subject to adjustment upon issuance of final order from commission.
 ** California rate increase amount includes test year (2010) increase of \$26.1 m, and staged increase of \$6.6m effective in escalation year of 2011.

- Index of Rate Case Status**
- 1 - Case Filed
 - 2 - Discovery (Data Requests, Investigation)
 - 3 - Negotiations / Evidentiary Hearings / Briefings
 - 4 - Recommended order issued / settlement reached, without interim rates
 - 5 - Interim rates in effect, awaiting final order



Rate Case Summary

General Rate Case Finalized in 2008 and 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>ROE Granted</u>	<u>Amount Granted</u>	<u>Rate Base (Approved)</u>
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AJWMM (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan	N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
California (Monterey Water)	A 08-01-027	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California (Monterey WW)	A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California (Gen Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A
Maryland	9187	4/30/2009	\$0.8	11.75%	9/10/2009	10.75%	\$0.6	\$11.6
Iowa	RPU-2009-0004	4/30/2009	\$9.4	12.20%	7/27/2009	10.50%	\$6.1	\$82.4
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	11/7/2009	10.80%	\$30.8	\$1,840.2

• Infrastructure charges granted January 1, 2008 through September 30, 2009 of \$40.6 million

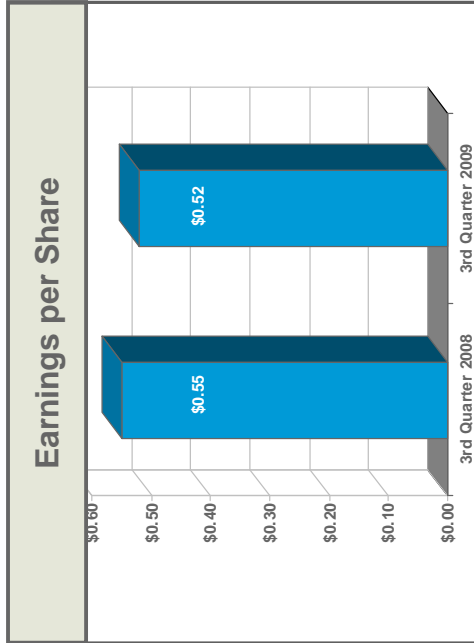
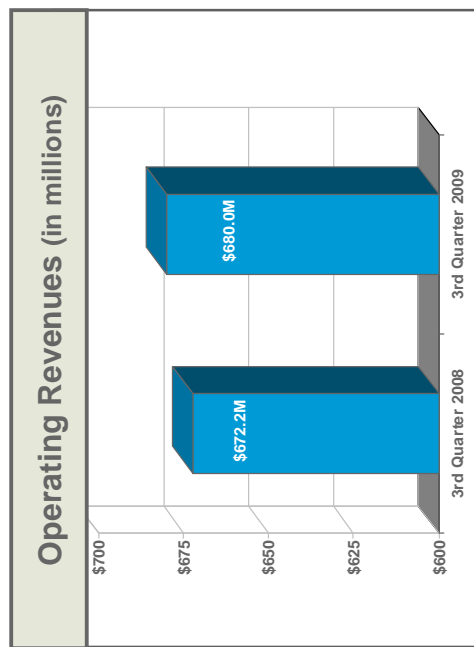
• Infrastructure charges granted in October 2009 of \$4.6 million

• Infrastructure charges finalized in 2009 will provide annual revenue of \$26.4 million



Financial Results - Third Quarter

	For the Three Months Ended September 30	
	2009	2008
	<i>(In thousands, except per share data)</i>	
Revenue	\$679,956	\$672,193
Gross margin	\$214,406	\$211,754
Net income to common	\$91,636	\$88,158
Common dividends paid	\$36,658	\$31,992
Average common shares outstanding during the period, fully diluted	174,691	160,000
Net income per common share	\$0.52	\$0.55

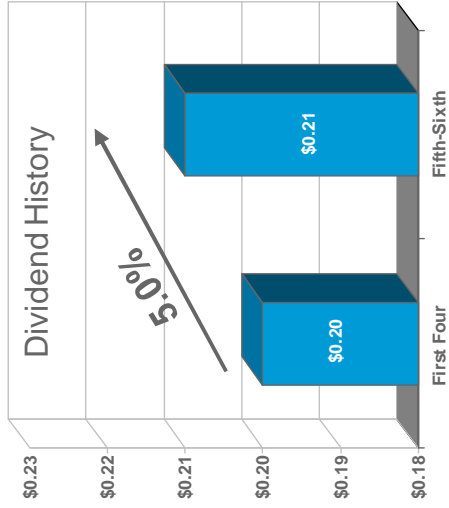


Total volume of water sold decreased 7.4 % resulting in reduction of \$44.2 million in revenues and \$23.7 million in net income, or \$0.14 per basic and diluted common share



Dividends Paid – Return on Shareholder Investment

- **Declared six quarterly dividends since IPO**
 - Declared and paid five dividends
 - Declared sixth dividend of \$0.21 per share on October 30, 2009 to pay out December 1, 2009
- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of net income
 - Subject to approval by American Water's Board of Directors
- **Committed to meeting shareholders' expectations**





Attractive Risk-Adjusted Total Return Story

- **Long-term EPS growth:**
 - Rate increases to earn allowed Return on Equity (ROE)
 - Appropriate capital investment/higher rate base
 - “Regulated-like” opportunities provide additional upside potential
- **Annualized quarterly dividends of \$0.84 per share**
- **Stable earnings and operating cash flows support dividend**
 - Expected to grow with higher earnings
 - Target dividend policy of 50% - 70% of net income annually
- **American Water is committed to meeting shareholders’ expectations, a solid investment grade rating and targeted capital structure with a long-term total debt ratio of approximately 50% – 55%**



Key Investment Highlights

Recognized Market Leader
*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth
*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile
*of water utility industry with
supportive regulatory
environment*

Proven Management
*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*



WE CARE ABOUT WATER. IT'S WHAT WE DO.



AWK
LISTED
NYSE



AMERICAN WATER

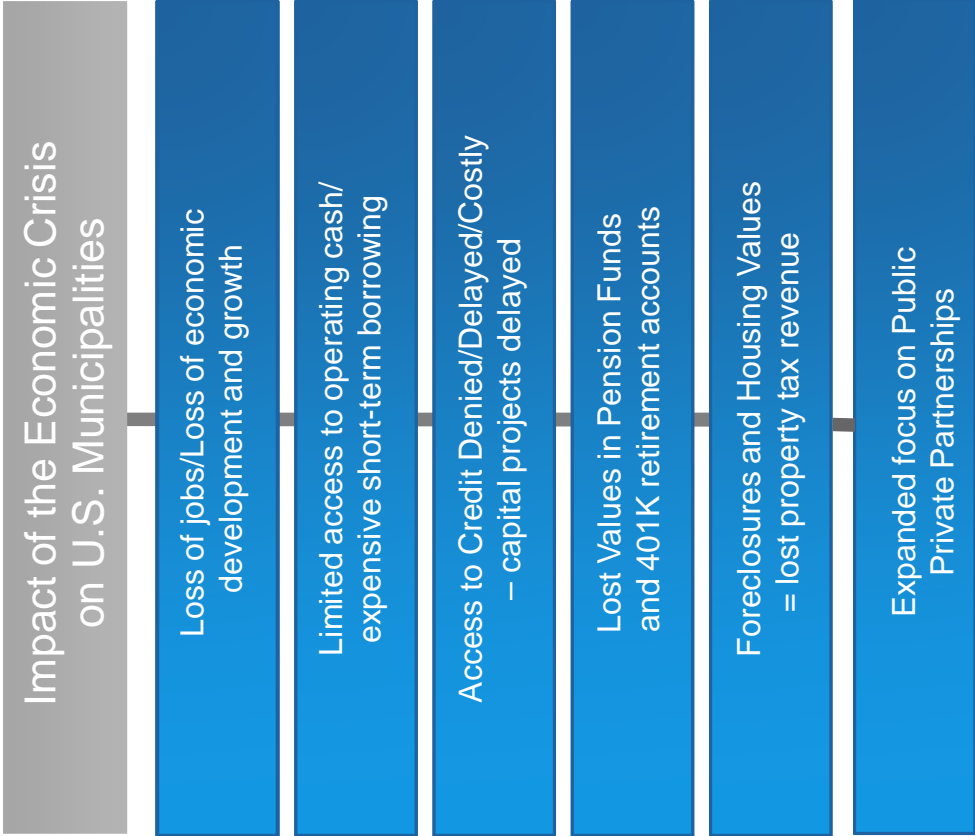
Appendix

US Water Industry faces complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ■ Replacement of Infrastructure 	<ul style="list-style-type: none"> ■ Full cost recovery ■ Scale driven efficiency ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ■ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ■ Water Supply 	<ul style="list-style-type: none"> ■ Conservation <ul style="list-style-type: none"> ■ Total water management ■ Leak Technology/AMR ■ Reuse ■ Desalination
<ul style="list-style-type: none"> ■ Fragmentation 	<ul style="list-style-type: none"> ■ Economies of scale ■ Operational Efficiencies Through Consolidation ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Funding for needed investments 	<ul style="list-style-type: none"> ■ Low interest financing ■ Federal Funding ■ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ■ Sound Stewardship 	<ul style="list-style-type: none"> ■ Consolidation ■ Public-Private Partnerships ■ Transparency



Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value



How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy's productive capacity
- Investment in water and sewer infrastructure yields positive returns.
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35 *
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year *
- Adding one job in water and sewer creates 3.68 jobs additional jobs in the national economy *
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

*Source: Cadmus Report released at the US Conference of Mayors (August 2008)



Completed Debt Financings Since September 2008

	Borrower	Underwriter	Coupon	Tenure	Status	Date
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	4-Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.20%	30 Years	Completed	8-Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13-May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9M Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May
\$45.39M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley/Ross Sinclaire	6.25%	30 Years	Completed	23-Jun
\$26M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley	5.63%	30 Years	Completed	10-Sep
\$28.5M Tax-Exempt Unsecured Notes	AWCC	Stifel, Nicolaus & Co.	5.25%	30 Years	Completed	1-Oct
\$134.225 Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.70%	30 Years	Completed	20-Oct
\$10.5M Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.00%	30 Years	Completed	20-Oct

* Actual Investors.

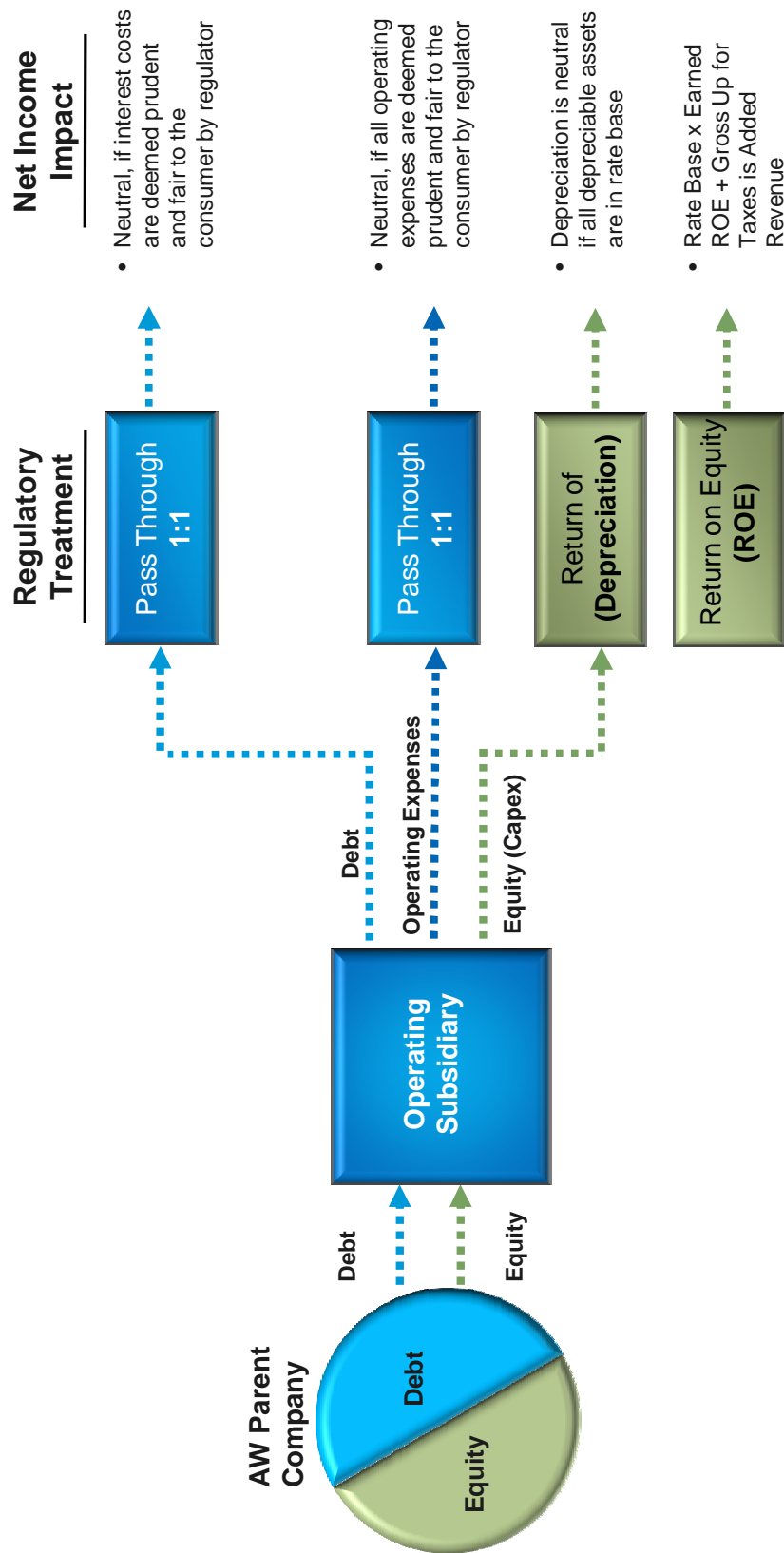


Regulation & Rate Setting Process

- **Role of regulation**
 - Protect consumers
 - Ensure utilities receive appropriate rate of return
- **Rates set by Public Utility Commissions in each state**
 - Rates set according to traditional rate base / rate of return policies
 - Rates are based on historical or future costs
 - Operating costs are passed through
 - Carrying costs (AFUDC) can be capitalized
- **Regulators moving toward policies which encourage needed investment**
 - Timely rate adjustment mechanisms for infrastructure replacement in Pennsylvania, Illinois, Indiana, Missouri, Ohio and New York
 - Infrastructure surcharges adjust periodically based on qualified capital expenditures being completed or anticipated in a future period
 - Future test years to set rates in California, Hawaii, Kentucky, Illinois, New York and Ohio
 - Pre-approval of capital expenditures
 - Consolidation of troubled water and wastewater systems
- **Rate setting process allows consumer and intervener involvement**



How is Net Income generated in Rate of Return Regulation?



If all assets are included in the Company's Rate Base and all operating expenses are deemed prudent and recoverable by regulator, Company earns allowed ROE*

* Assuming no regulatory lag between rate cases



Water Industry Has Most Favorable Utility Profile

Water Utility Characteristics

- Capital projects focused on maintaining public health & safety standards
- Water bills are low portion of household utility budget
- Essential product with no available substitutes
- Water industry raw input costs (i.e. water and chemicals) are less volatile than energy commodity costs (i.e. coal and natural gas) for electric and gas utilities
- M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards

Implications

- Regulators supportive of prudent projects
- Demand is more price inelastic than electric or gas
- More stable rates for customers
- Cost forecasting and regulatory lag is more manageable
- Regulators support the strengthening of water systems via M&A
- Water utilities can be more cost efficient and responsive to demand fluctuations
- Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction



Adjusted EBITDA Reconciliation

	2003	2004	2005	Historical 2006	2007	2008	LTM
Net Income (Loss) from Continuing Operations Adjustments	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)	(\$233,408)
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000	450,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464	0
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666	4,064
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	6,859	1,111
Interest and "Interest-like" Items							
Interest	280,501	315,944	345,257	365,970	283,165	285,155	292,228
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(14,497)	(13,335)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)	(7,645)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895	6,694
Preferred Dividends	487	410	227	215	225	225	0
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827	123,088
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261	288,601
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$869,263	\$911,398

Adjusted Net Income Reconciliation

	2003	2004	2005	Historical 2006	2007	2008	LTM
Net Income (Loss) from Continuing Operations Adjustments	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)	(\$233,408)
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475	443,024
SOX Implementation Costs	0	0	0	9,394	19,179	8,678	0
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200	2,479
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116	678
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$194,048	\$212,773



Adjusted Earnings Per Share Reconciliation

	FY 2007	Historical					FY 2008	Q1 2009	Q2 2009	Q3 2009
		Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009				
(\$ in Thousands, except per share data)										
Net Income (Loss) from Continuing Operations	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$562,421)	(\$413,079)	\$51,989	\$91,636	
Adjustments										
Add: Impairment charges	509,345	750,000	0	0	0	750,000	450,000			
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(11,525)	(6,976)			
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054	29,945	51,989	91,636	
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32	\$0.52	
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32	\$0.52	

Adjusted EBIT Reconciliation

(\$ in Thousands)

	LTM	
	Regulated	Non-Regulated Consolidated
Income before taxes		(109,959)
Other		10,572
Interest, net		(66,101)
Impairment Charges		(450,000)
Segment Income	365,899	395,570
Amortization of Debt expense	5,725	5,725
Preferred Dividends	225	225
Interest, net	229,184	226,127
Allowance for borrowed funds during construction	(7,645)	(7,645)
Allowance for other funds during construction	(13,335)	(13,335)
Adjusted EBIT	580,053	606,667



AMERICAN WATER

Institutional Investor Meetings

October 2009

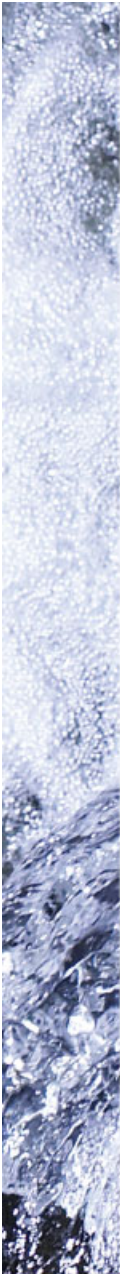


Cautionary Statement Concerning Forward-Looking Statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.



Key Investment Highlights

Recognized Market Leader
*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth
*driven by infrastructure
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Favorable Risk Profile
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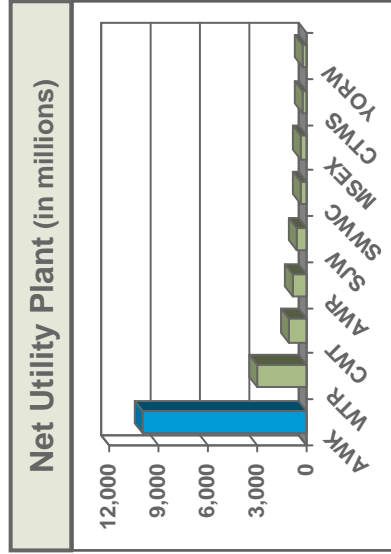
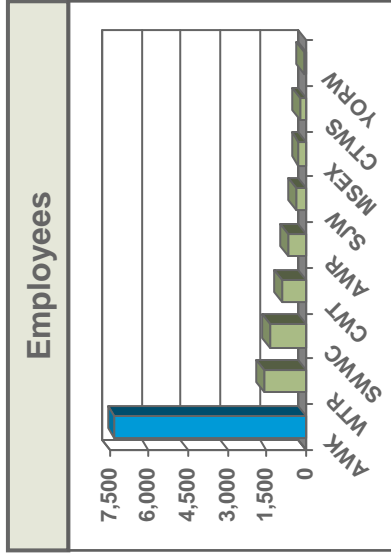
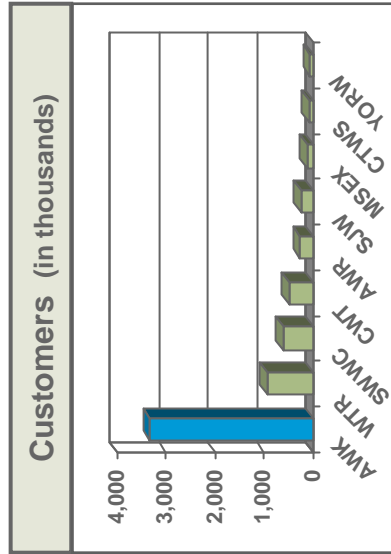
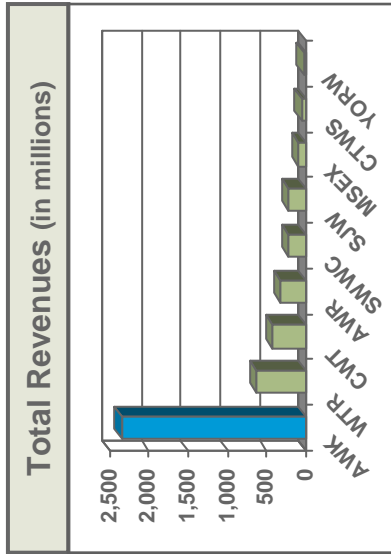
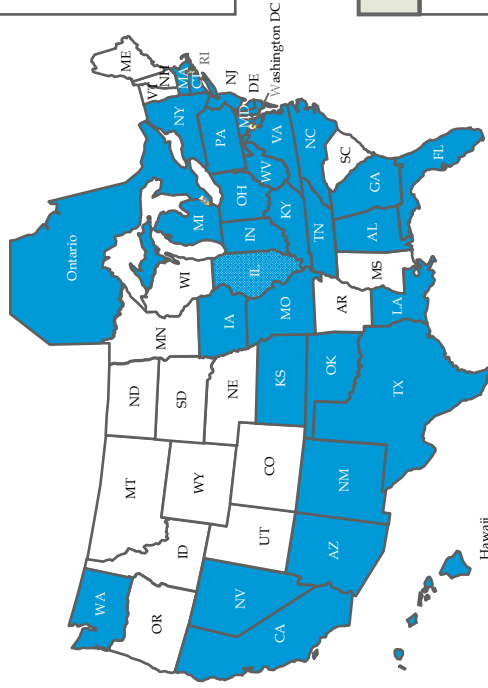
Proven Management
*with extensive water utility
industry expertise*

**American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook**



The Largest Water Services Provider in North America

American Water's National Presence



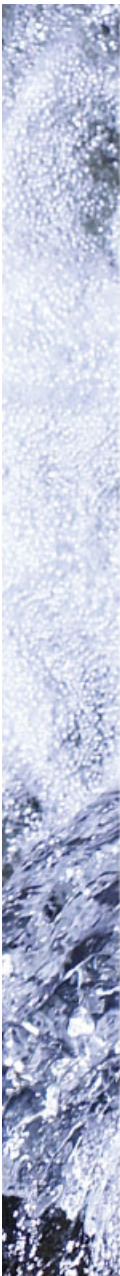
Note: All data is as of December 31, 2008.



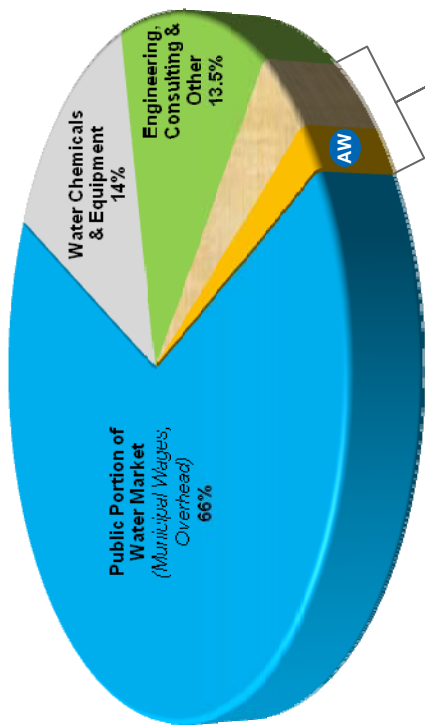
American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services



American Water comprises ~2.2% of the \$90.5 Billion U.S. Water Market



Revenue from Regulated Private Utilities - 6.5%

- Services Provided**
- Private Ownership
 - Operations & Maintenance
 - Design/Build/Operate
 - Water Line Protection

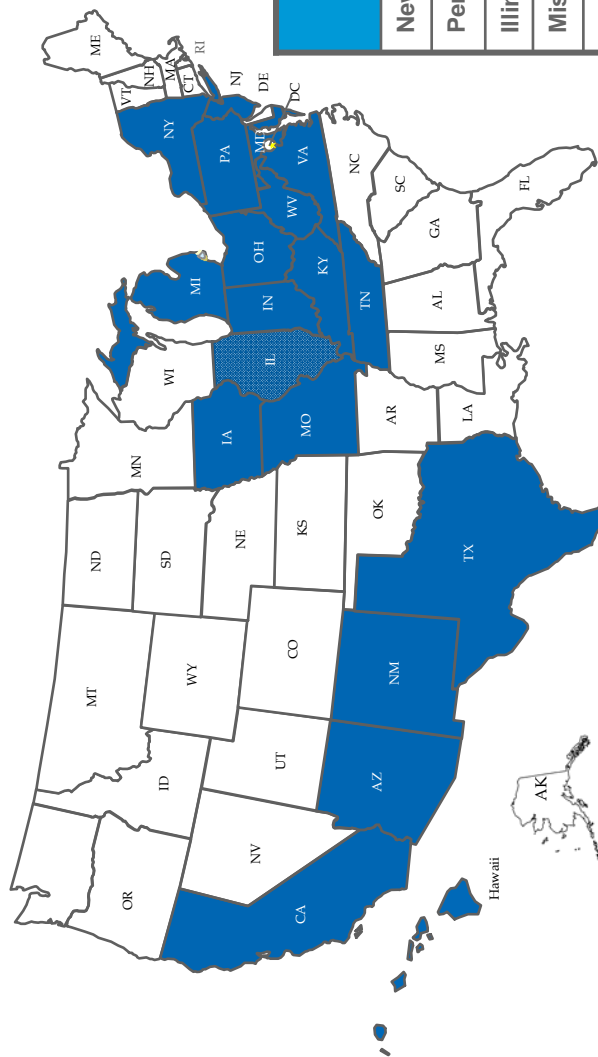
- Markets Served**
- Municipalities
 - Residential
 - Commercial
 - Industrial
 - Military

By providing value-added services American Water will continue to expand its market share

Sources: Public Works Financing 2004, Environmental Business Journal, AWK SEC filings



American Water's Regulated Presence



State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.



Our Non-Regulated Businesses: A Complement to Core Competencies



Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA

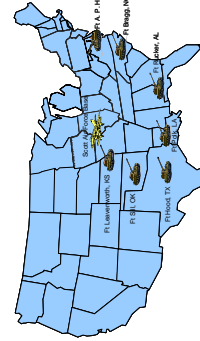


Contract Operations

- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

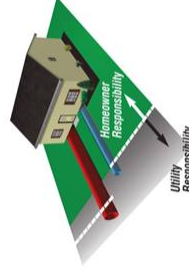
*Includes 15 AWM projects

**Includes 228 AWM projects



Military Bases Privatization

- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Scott Air Force Base, IL
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA



Homeowner Services

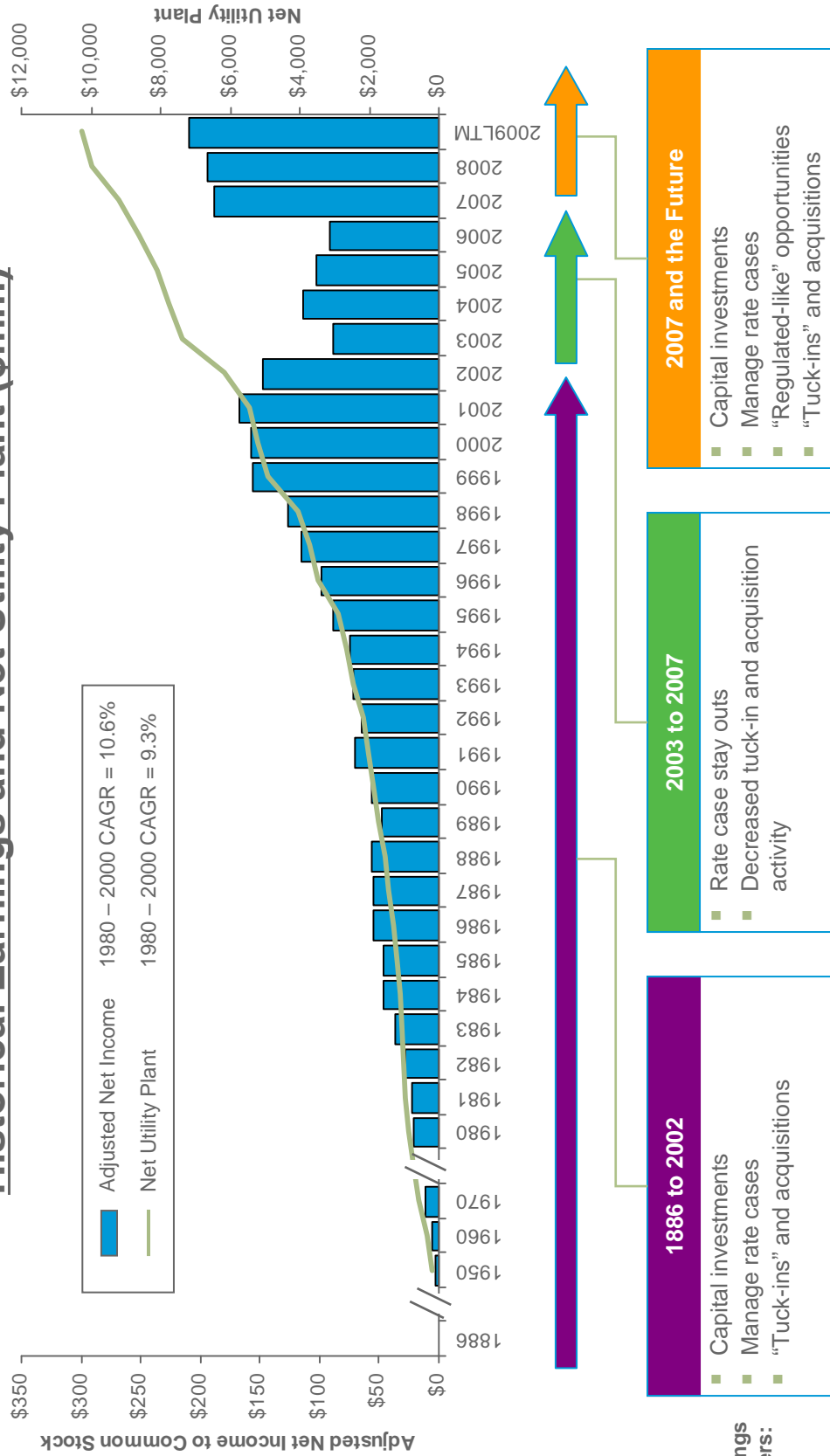
- Over 720,000 contracts
- 16 states

For LTM (as of June 30, 2009), AWK reported \$265.8 million of Non-Reg operating revenues

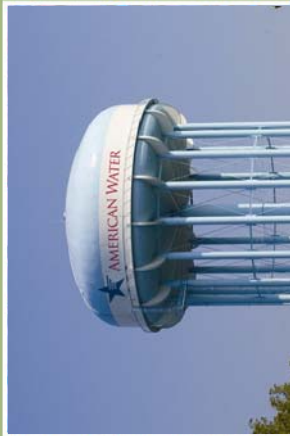
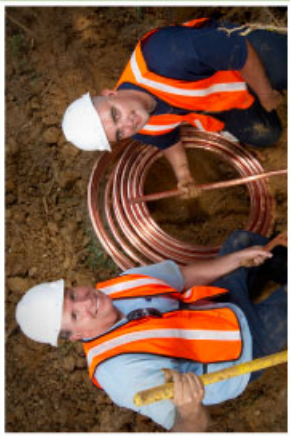


The American Water Story

Historical Earnings and Net Utility Plant (\$mm)

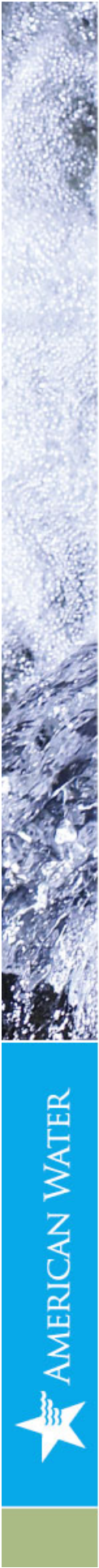


Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E*Town included from 2003 onward. NEI included from 1999 onward.

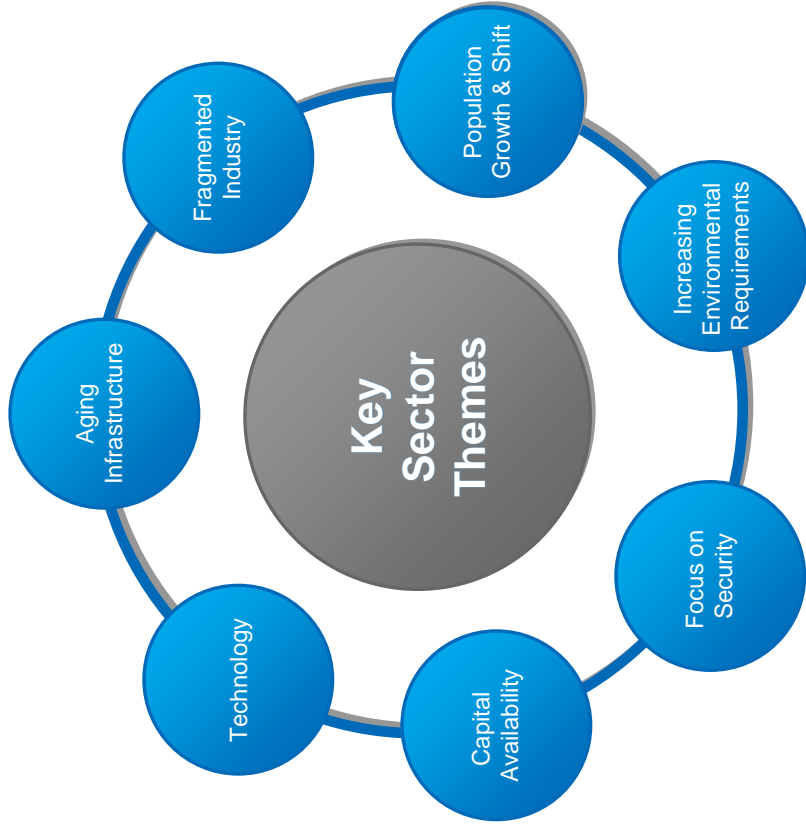


AMERICAN WATER

The US Water Industry



Water Industry Poised for Significant Growth



American Water Opportunities

- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

American Water is the industry leader and best positioned to take advantage of these growth opportunities



Water Industry Has Most Favorable Utility Profile

Water Utility Characteristics

- Capital projects focused on maintaining public health & safety standards
- Water bills are low portion of household utility budget
- Essential product with no available substitutes
- Water industry raw input costs (i.e. water and chemicals) are less volatile than energy commodity costs (i.e. coal and natural gas) for electric and gas utilities
- M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards

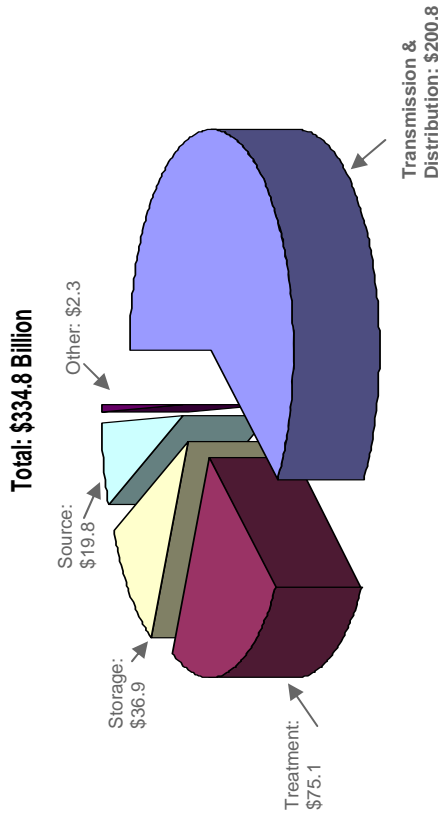
Implications

- Regulators supportive of prudent projects
- Demand is more price inelastic than electric or gas
- More stable rates for customers
- Cost forecasting and regulatory lag is more manageable
- Regulators support the strengthening of water systems via M&A
- Water utilities can be more cost efficient and responsive to demand fluctuations
- Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction



Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

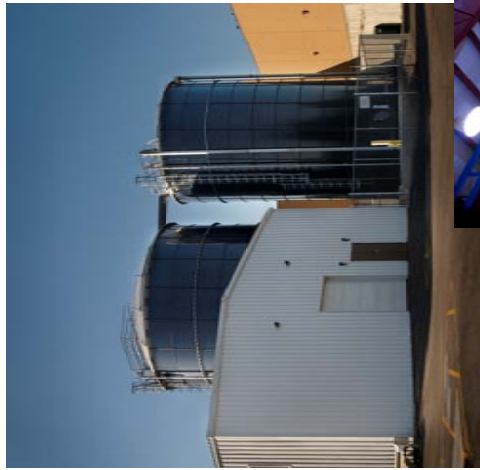
2009 GRADE: D-
2009 GRADE: D-

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars



Physical condition of wastewater treatment systems also poor due to lack of investment



SPORTS

PAGE A2:
Mets clinch World Series

PAGE A2:
American Water trades at \$40

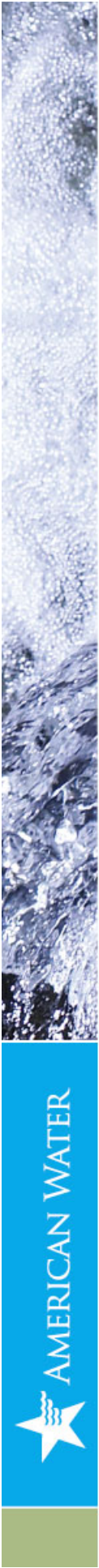


San Francisco Chronicle

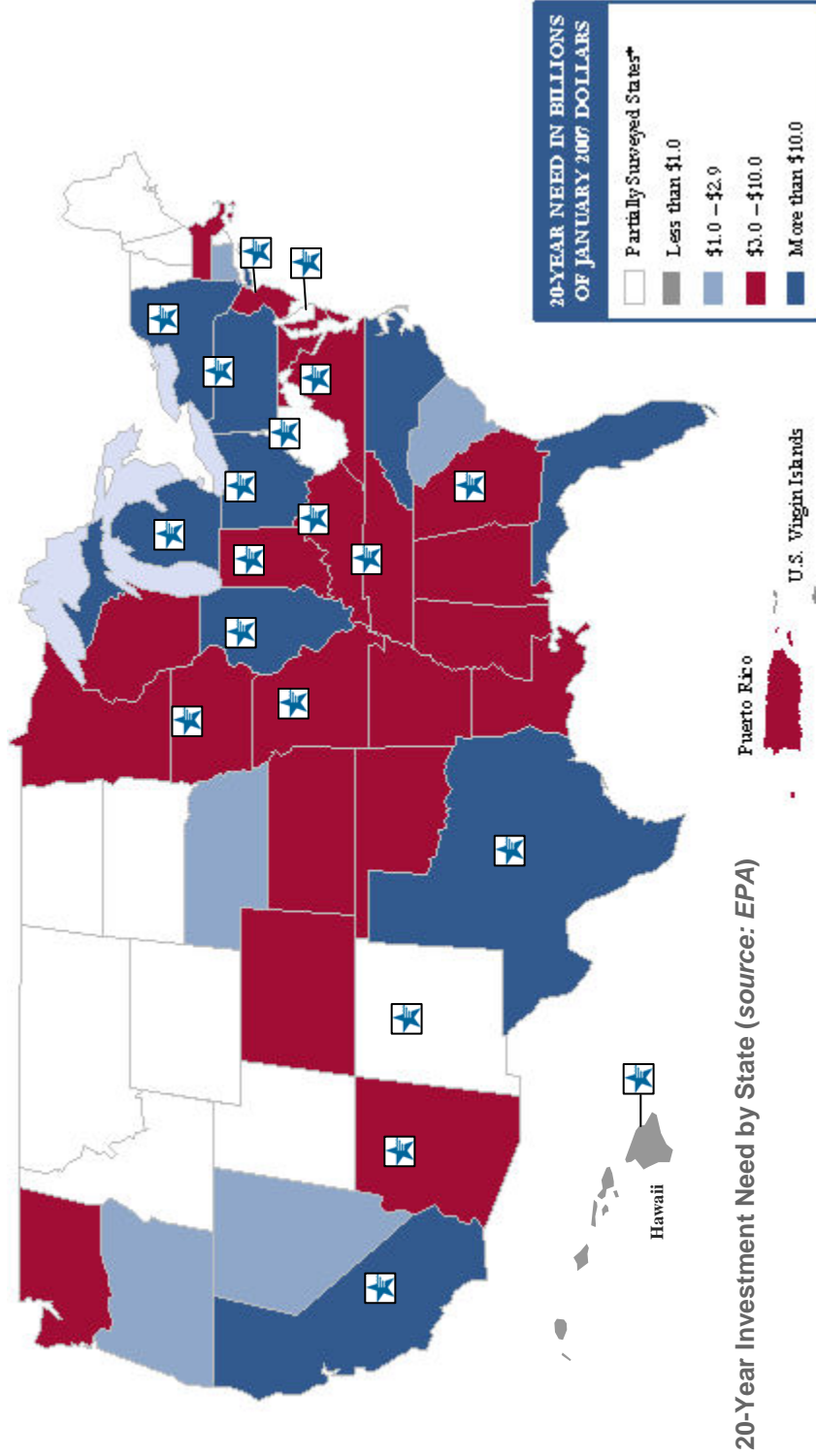
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Wastewater investment needs

- U.S. EPA: \$202.5 billion, an increase of \$16.1 billion (8.6%) since the previous analysis was published in January 2004.
- The EPA Gap Analysis estimated that over the next two decades the United States must spend nearly \$390 billion to replace existing wastewater infrastructure systems and build new ones
- The Congressional Budget Office (CBO) estimated that for the years 2000 to 2019, annual costs for investment would need to be between \$13 billion and \$20.9 billion for wastewater systems



Investment needs are larger in heavily-populated & fast growing areas that closely mirror American Water's footprint

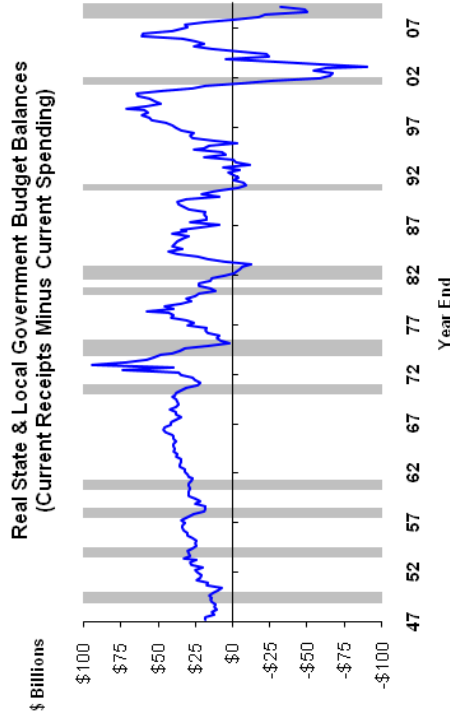


Note: Does not include needs for American Indian and Alaskan Native Village water systems.

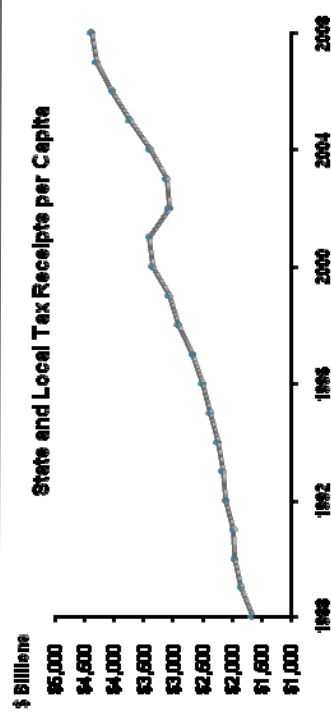


Municipalities are facing economic challenges that may not allow needed infrastructure spending

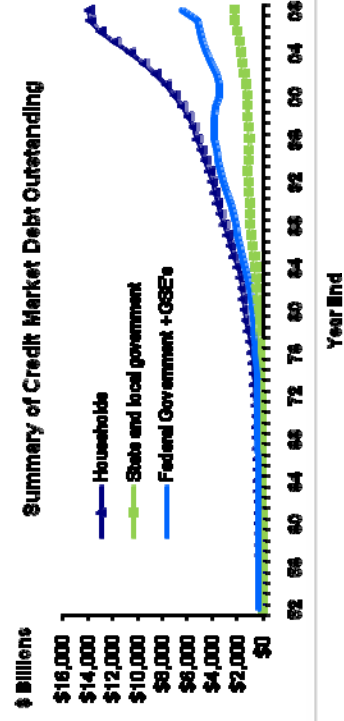
- State and local government budget balances have recorded largest percentage decreases in last 50 years*



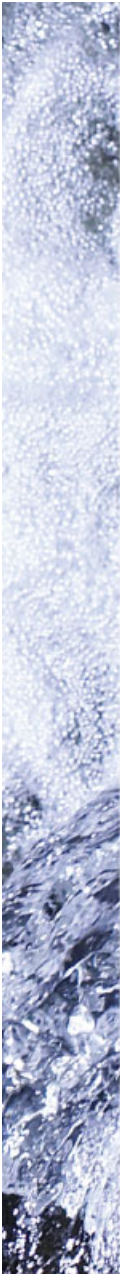
- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels



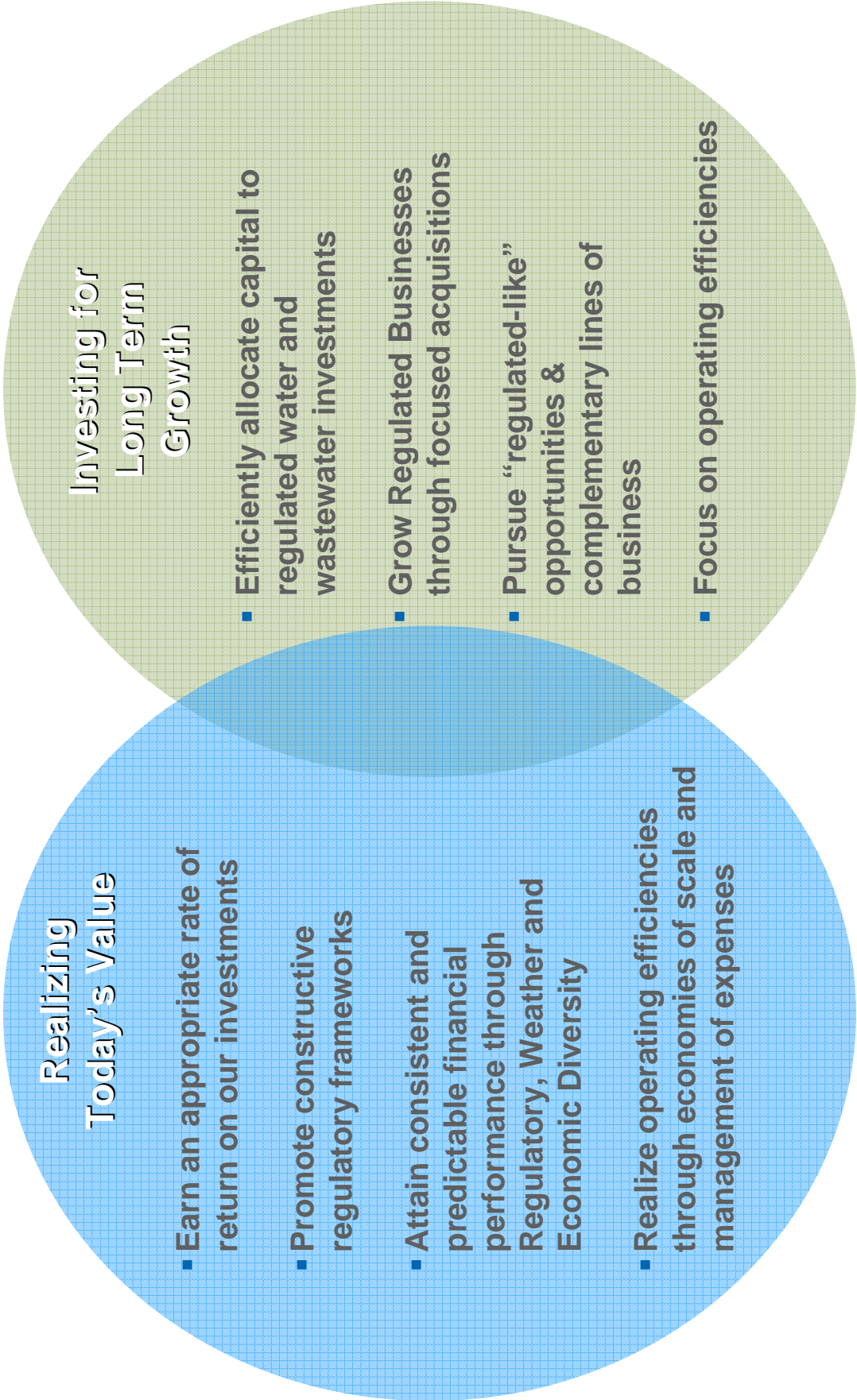
- Offsetting funding shortfalls by increased debt borrowings may also not be viable in current economic climate

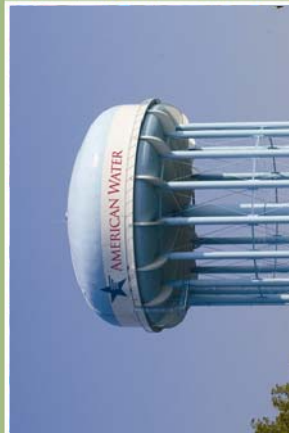


*Shaded Area = Recession.
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates).



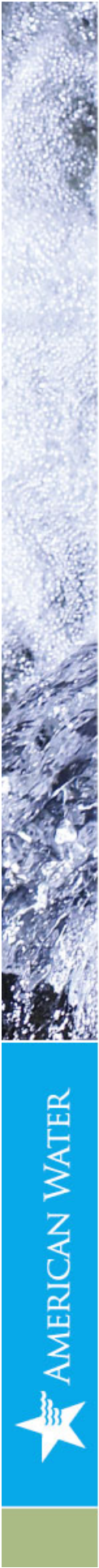
Our Strategic Direction





AMERICAN WATER

Financial Overview



American Water Overview⁽¹⁾

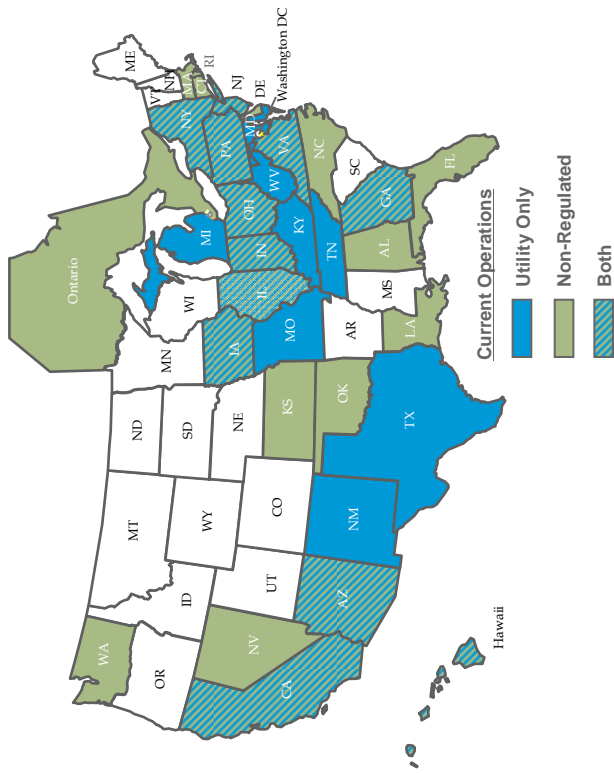
Regulated Businesses:

- \$2,159 mm in Revenues
- \$581 mm in Adjusted EBIT⁽²⁾
- Assets owned⁽³⁾
 - 48,000 miles of mains and collection pipes
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams

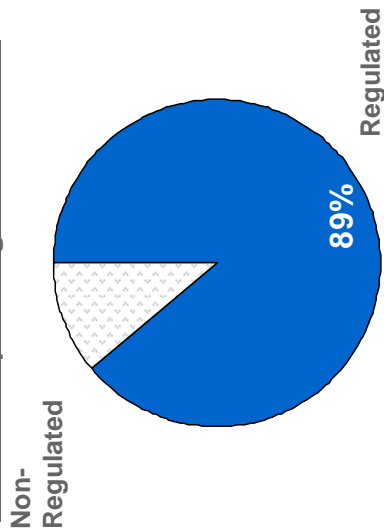
Non-Regulated Businesses:

- \$266 mm in Revenues
- \$27 mm in Adjusted EBIT⁽²⁾

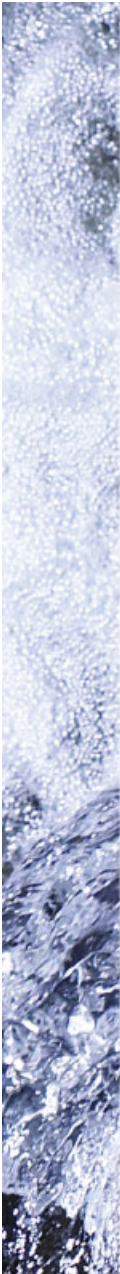
(1) Revenues and Adjusted EBIT are LTM as of June 30, 2009.
 (2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.
 (3) Asset data shown is estimated as of December 31, 2008.



LTM Net Operating Revenues (1)



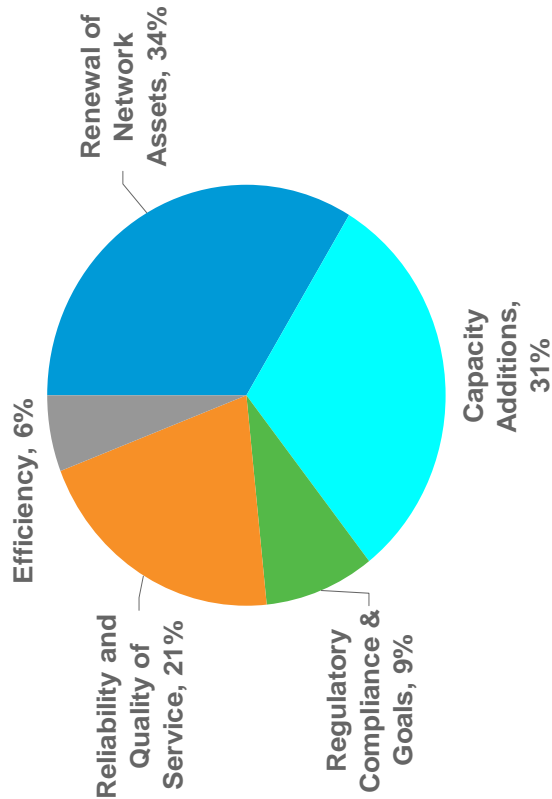
Net Operating Revenues: \$2.4 billion



Capital Expenditures Overview

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



Projected Net Capex⁽¹⁾ of \$4.0 - \$4.5 billion (2009-2013)

(1) Net capex defined as gross capex less advances and contributions in aid of construction.



General Rate Cases Awaiting Final Order as of October 16, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>	<u>Status</u>
Hawaii **	2007-0180	11/1/2007	\$1.3	10.60%	\$24.9	Settlement reached / awaiting final order
Texas *	2008-0910-UCR	2/21/2008	\$0.9	12.00%	\$6.7	Settlement reached / awaiting final order
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	\$203.3	Negotiations / Hearings / Briefings
California *** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	\$215.8	Discovery (Data Requests, Investigation)
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	\$1,861.3	Negotiations / Hearings / Briefings
Indiana	43680	4/30/2009	\$46.9	12.00%	\$670.5	Discovery (Data Requests, Investigation)
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	\$74.8	Discovery (Data Requests, Investigation)
Illinois	09-0319	5/29/2009	\$58.6	12.25%	\$610.3	Discovery (Data Requests, Investigation)
Arizona (Anthem, etc.)	W-01303A-09-0343	7/2/2009	\$20.6	12.25%	\$220.4	Discovery (Data Requests, Investigation)
New Mexico (Edgewood)	TBD	8/21/2009	\$0.7	12.25%	\$4.0	Discovery (Data Requests, Investigation)

* Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.

** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.

*** Calif. Rate increase amount includes test year (2010) increase of \$26.1 m, and staged increase of \$6.6m effective in escalation year of 2011.



Rate Case Summary

Rate Cases Finalized in 2008 and 2009									
Docket / Case Number	Date Filed	Amount	File/DE Request	Effective Date for new rates	Actual ROE Granted	Actual Amount Granted	Rate Base (Filed / Approved)		
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7	
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6	
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3	
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7	
Long Island *	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7	
California (Sacram., etc) **	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0	
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3	
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4	
Virginia ***	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8	
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1	
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7	
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5	
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1	
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5	
New Jersey ****	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0	
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7	
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0	
AWWM* (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1	
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A	
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3	
Michigan	N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3	
Calif ** (Monterey Water)	A 08-01-027	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5	
California *** (Monterey WW)	A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0	
California (Gen Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A	
Maryland	9187	4/30/2009	\$0.8	11.75%	9/10/2009	10.75%	\$0.6	\$11.6	
Iowa	RPU-2009-0004	4/30/2009	\$9.4	12.20%	7/27/2009	10.50%	\$6.1	\$82.4	

- Infrastructure charges granted January 1, 2008 through June 30, 2009 of \$32.7 million
- Infrastructure charges granted between July 1 and October 16, 2009 of \$27.3 million
- Infrastructure charges were finalized in 2009 which will provide annual revenue of \$30.0 million



2009 Second Quarter Financial Highlights



- Operating revenues increased by \$23.3 million, driven by:**
- \$46.5 million impact from rate increases
 - Offset by \$24 million lower demand
- Net income of \$52.0 million or \$0.32 per share driven by:**
- Top-line growth



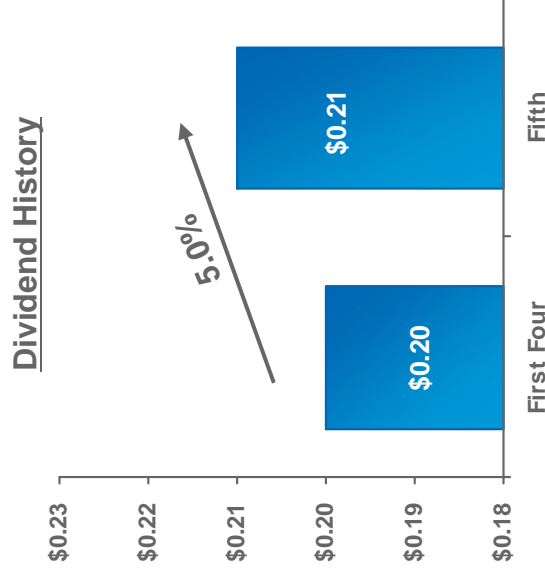
Dividends Paid – Return on Shareholder Investment

- **Declared five quarterly dividends since IPO**
 - Declared and paid four dividends
 - Paid fifth dividend of \$0.21 per share on September 1, 2009

- **Dividend policy**

- Quarterly basis
- Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
- Subject to approval by American Water’s Board of Directors

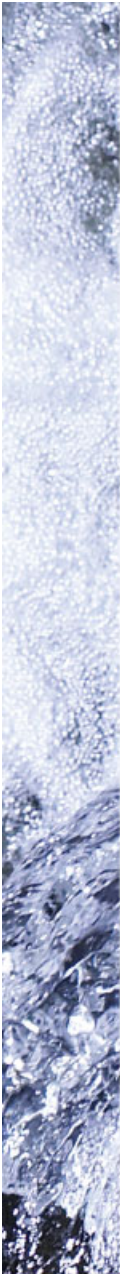
- **Committed to meeting shareholders’ expectations**





Attractive Risk-Adjusted Total Return Story

- **Long-term EPS growth:**
 - Rate increases to earn allowed ROEs
 - Appropriate capital investment/higher rate base
 - “Regulated-like” opportunities provide additional upside potential
- **Annualized quarterly dividends of \$0.84 per share Stable earnings and operating cash flows support dividend**
 - Expected to grow with higher earnings
 - Target dividend policy of 50% - 70% of net income annually
- **American Water is committed to meeting shareholders’ expectations, a solid investment grade rating and targeted capital structure with a long-term total debt ratio of approximately 50% – 55%**



AMERICAN WATER

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

Proven Management

*with extensive water utility
industry expertise*

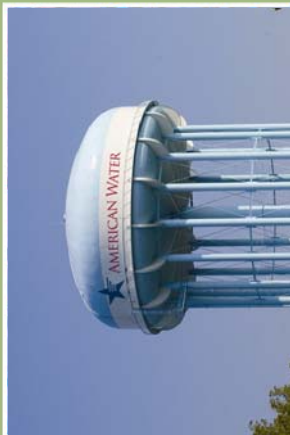
***American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook***



WE CARE ABOUT WATER. IT'S WHAT WE DO.



AWK
LISTED
NYSE

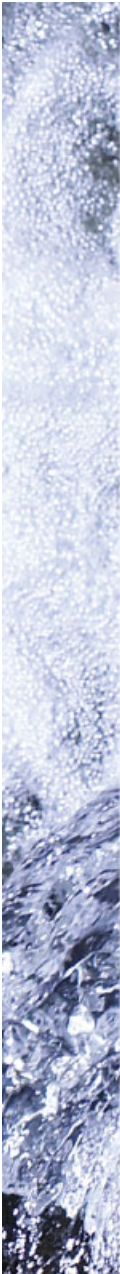


AMERICAN WATER

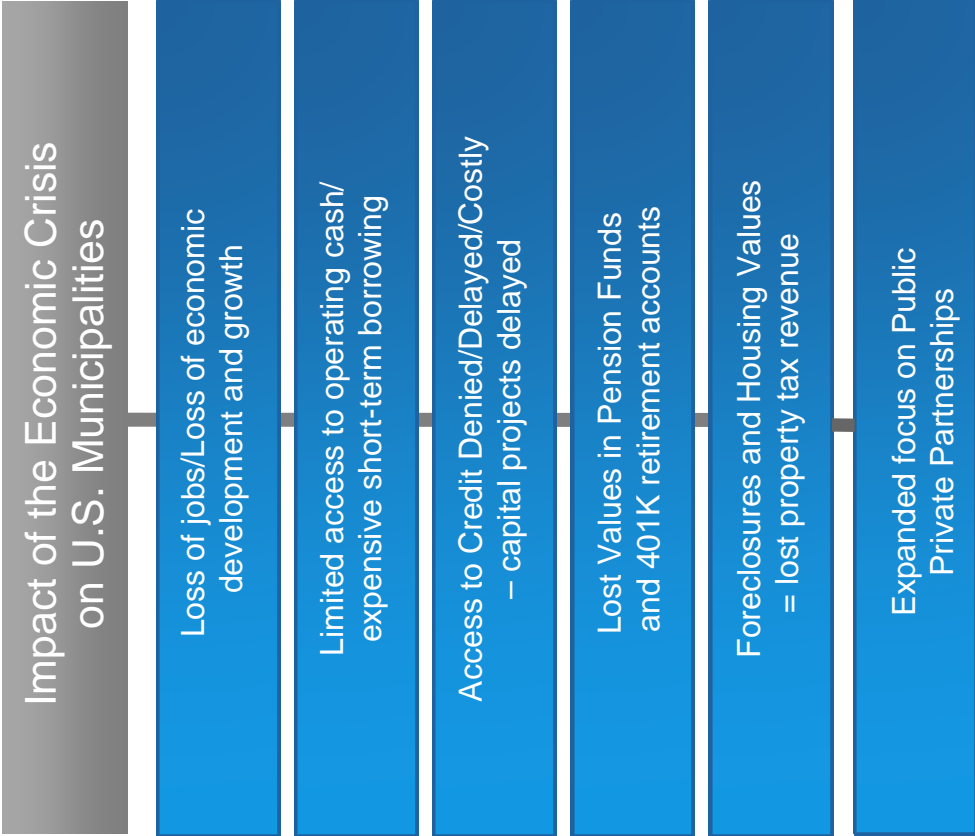
Appendix

US Water Industry faces complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ▪ Replacement of Infrastructure 	<ul style="list-style-type: none"> ▪ Full cost recovery ▪ Scale driven efficiency ▪ Public-Private Partnerships
<ul style="list-style-type: none"> ▪ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ▪ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ▪ Water Supply 	<ul style="list-style-type: none"> ▪ Conservation ▪ Reuse ▪ Desalination ▪ Total water management ▪ Leak Technology/AMR
<ul style="list-style-type: none"> ▪ Fragmentation 	<ul style="list-style-type: none"> ▪ Economies of scale ▪ Operational Efficiencies Through Consolidation ▪ Public-Private Partnerships
<ul style="list-style-type: none"> ▪ Funding for needed investments 	<ul style="list-style-type: none"> ▪ Low interest financing ▪ Federal Funding ▪ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ▪ Sound Stewardship 	<ul style="list-style-type: none"> ▪ Consolidation ▪ Public-Private Partnerships ▪ Transparency



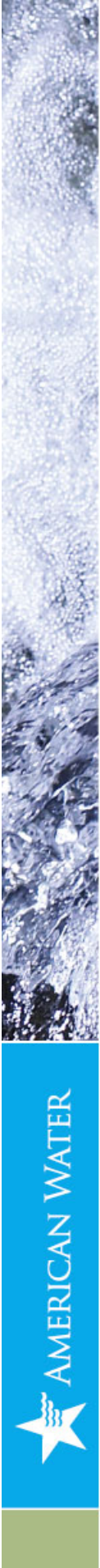
Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value



How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy’s productive capacity
- Investment in water and sewer infrastructure yields positive returns.
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35 *
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year *
- Adding one job in water and sewer creates 3.68 jobs additional jobs in the national economy *
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

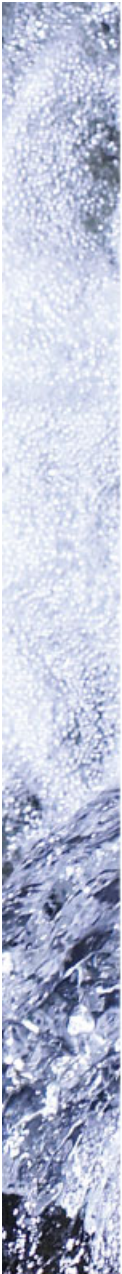
**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*



Completed Debt Financings Since September 2008

	Borrower	Underwriter	Coupon	Tenure	Status	Date
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	4-Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.20%	30 Years	Completed	8-Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13-May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9M Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May
\$45.39M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley/Ross Sinclair	6.25%	30 Years	Completed	23-Jun
\$26M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley	5.63%	30 Years	Completed	10-Sep
\$28.5M Tax-Exempt Unsecured Notes	AWCC	Stifel, Nicolaus & Co.	5.25%	30 Years	Completed	1-Oct
\$134.225 Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.70%	30 Years	Completed	20-Oct
\$10.5M Tax-Exempt Secured Notes	NJ American	Morgan Stanley/Janney Montgomery	5.00%	30 Years	Completed	20-Oct

* Actual Investors.

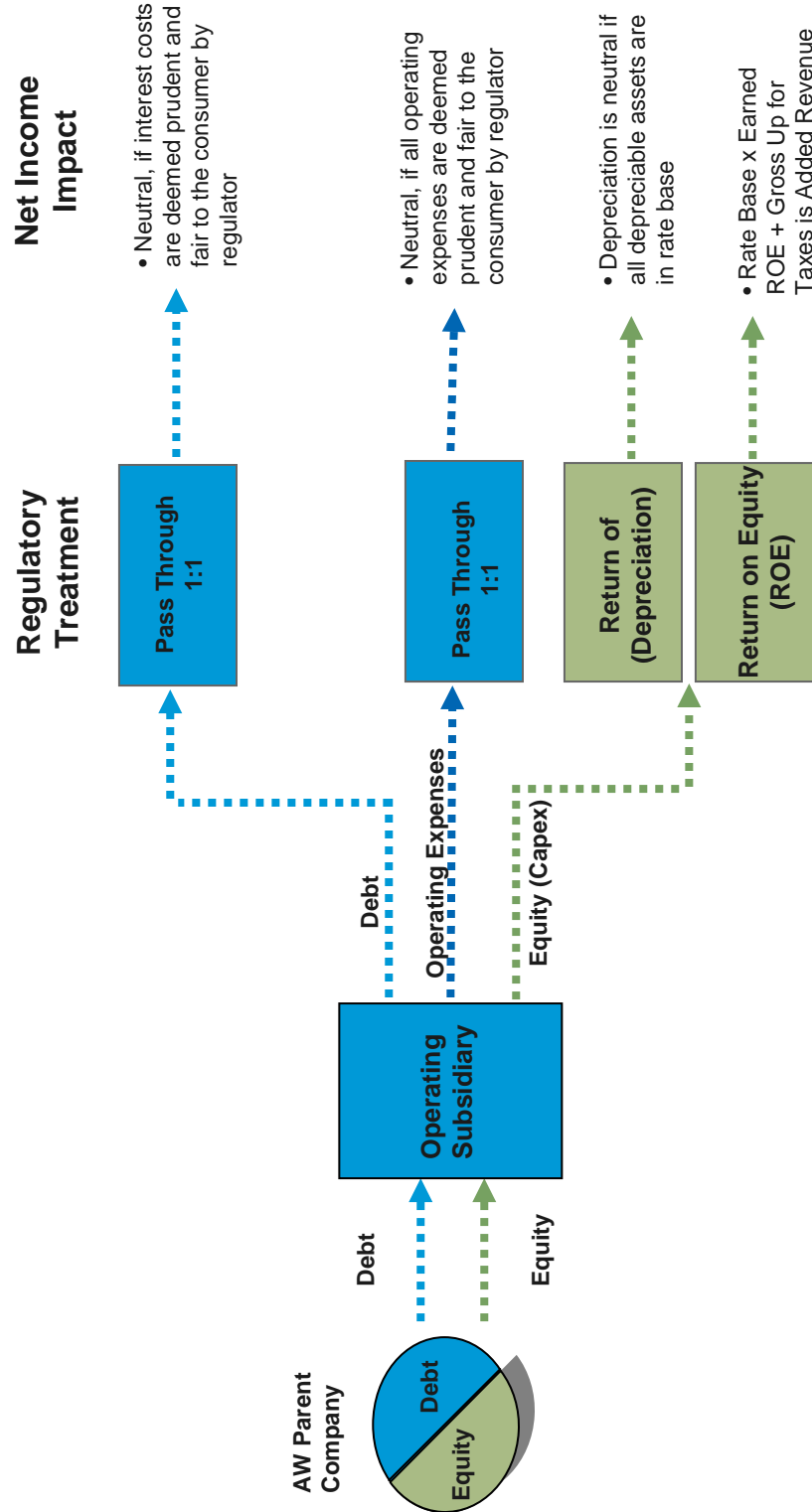


Regulation & Rate Setting Process

- **Role of regulation**
 - Protect consumers
 - Ensure utilities receive appropriate rate of return
- **Rates set by Public Utility Commissions in each state**
 - Rates set according to traditional rate base / rate of return policies
 - Rates are based on historical or future costs
 - Operating costs are passed through
 - Carrying costs (AFUDC) can be capitalized
- **Regulators moving toward policies which encourage needed investment**
 - Timely rate adjustment mechanisms for infrastructure replacement in Pennsylvania, Illinois, Indiana, Missouri, Ohio and New York
 - Infrastructure surcharges adjust periodically based on qualified capital expenditures being completed or anticipated in a future period
 - Future test years to set rates in California, Hawaii, Kentucky, Illinois, New York and Ohio
 - Pre-approval of capital expenditures
 - Consolidation of troubled water and wastewater systems
- **Rate setting process allows consumer and intervener involvement**



How is Net Income generated in Rate of Return Regulation?



If all assets are included in the company's Rate Base and all operating expenses are deemed prudent and recoverable by the regulator, then the company earns its allowed ROE, assuming no regulatory lag between rate cases

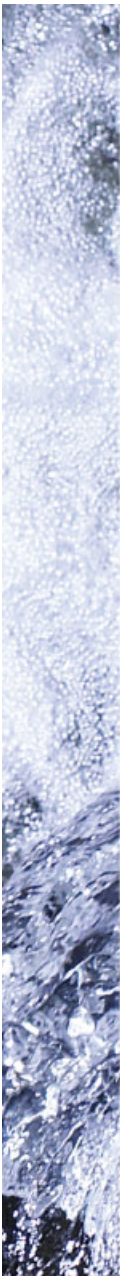


Adjusted Earnings Per Share Reconciliation

	Historical							
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009
<i>(\$ in Thousands, except per share data)</i>								
Net Income (Loss) from Continuing Operations Adjustments	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$562,421)	(\$413,079)	\$51,989
Add: Impairment charges	509,345	750,000	0	0	0	750,000	450,000	
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(11,525)	(6,976)	
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054	29,945	51,989
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32

Adjusted EBIT Reconciliation

	LTM		
	Regulated	Un-regulated	Consolidated
Income before taxes	\$0	\$0	(\$106,054)
Other	0	0	7,598
Interest, net	0	0	(64,679)
Impairment charges	0	0	(450,000)
Segment Income	370,610	30,417	401,027
Amortization of Debt expense	5,331	0	5,331
Preferred Dividends	225	0	225
Interest, net	229,380	(3,271)	226,109
Allowance for borrowed funds during construction	(8,941)	0	(8,941)
Allowance for other funds during construction	(15,487)	0	(15,487)
Adjusted EBIT	\$581,118	\$27,146	\$608,264



Selected Balance Sheet Data

	2Q 2009
Assets	
▪ Cash and cash equivalents	\$9,012
▪ Other current assets	\$486,693
▪ Total property, plant & equipment	\$10,395,692
▪ Total regulatory and other long term assets	\$2,298,652
▪ Goodwill	\$1,250,067
Total Assets	\$13,190,049
Liabilities	
▪ Short Term Debt	\$268,751
▪ Current Portion of long-term debt	\$97,357
▪ Other current liabilities	\$426,679
▪ Long-term debt	\$5,006,066
▪ Total regulatory and other long-term liabilities	\$2,515,810
▪ Contributions in aid of construction	942,623
Total Liabilities	\$9,257,286
Shareholder Equity	\$3,932,763



AMERICAN WATER

Institutional Investor Meetings

September 2009

Cautionary Statement Concerning Forward-Looking Statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

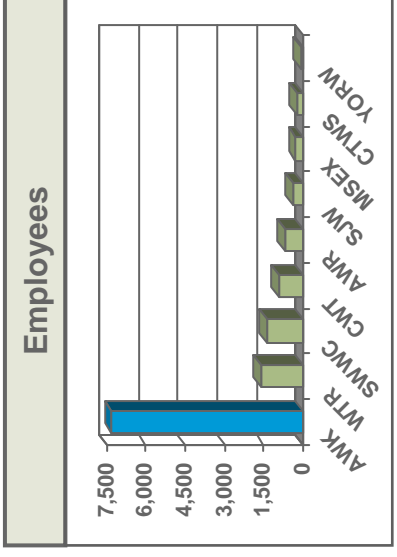
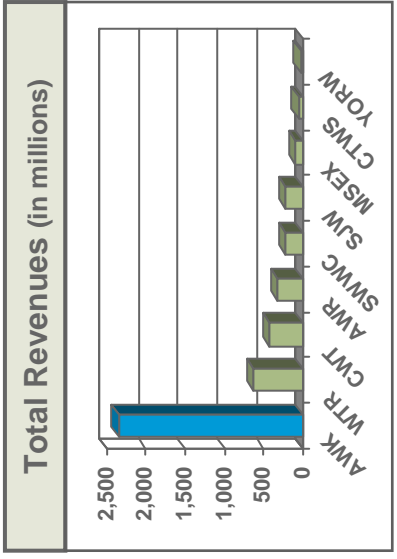
*of water utility industry with
supportive regulatory
environment*

Proven Management

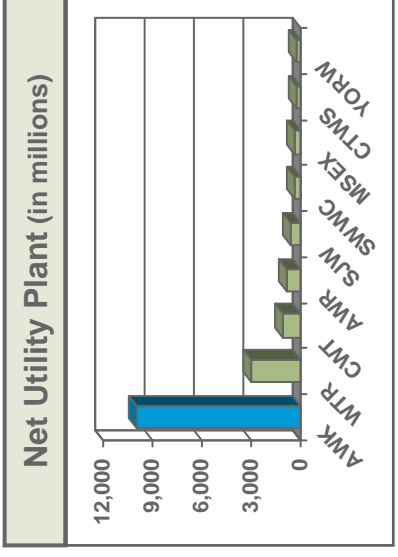
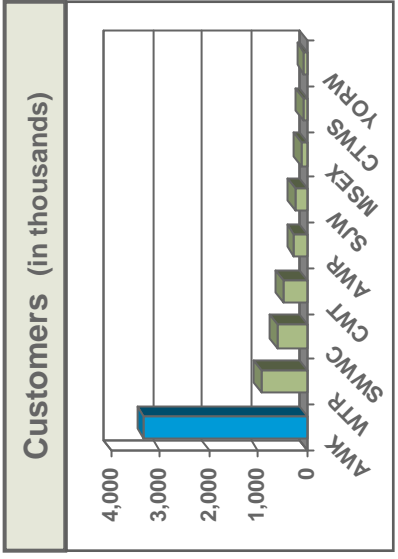
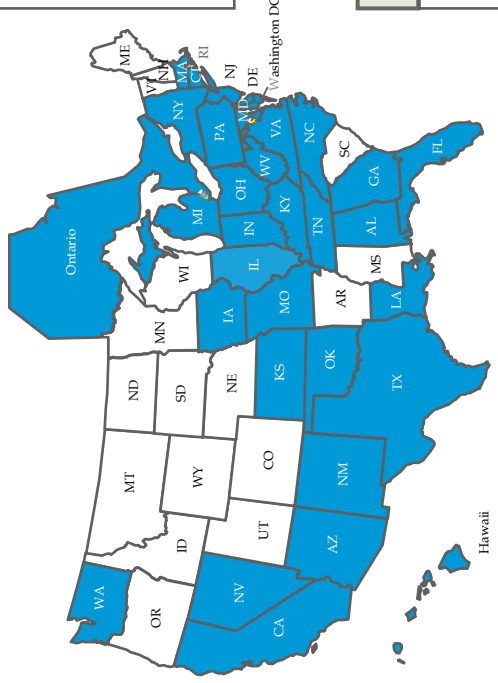
*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*

The Largest Water Services Provider in North America



American Water's National Presence



Note: All data is as of December 31, 2008.

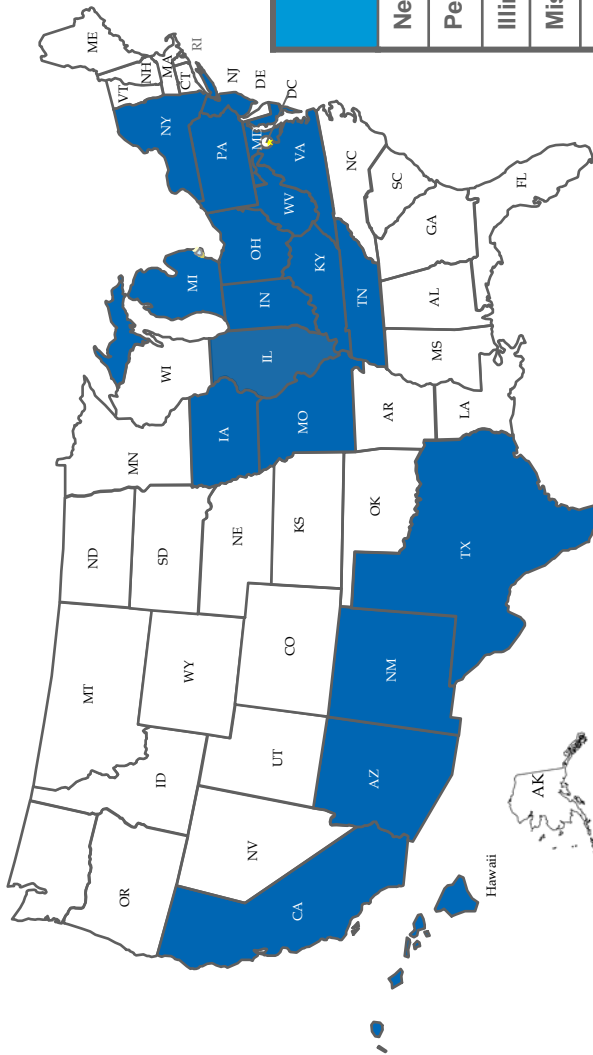
American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services



American Water's Regulated Presence



State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.

Our Non-Regulated Businesses: A Complement to Core Competencies



Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA

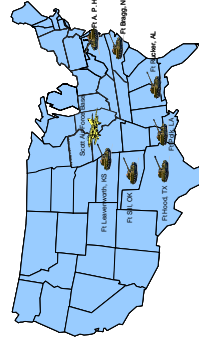


Contract Operations

- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

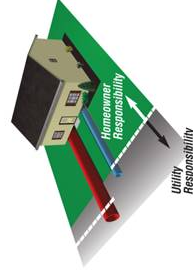
*Includes 15 AWM projects

**Includes 228 AWM projects



Military Bases Privatization

- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Scott Air Force Base, IL



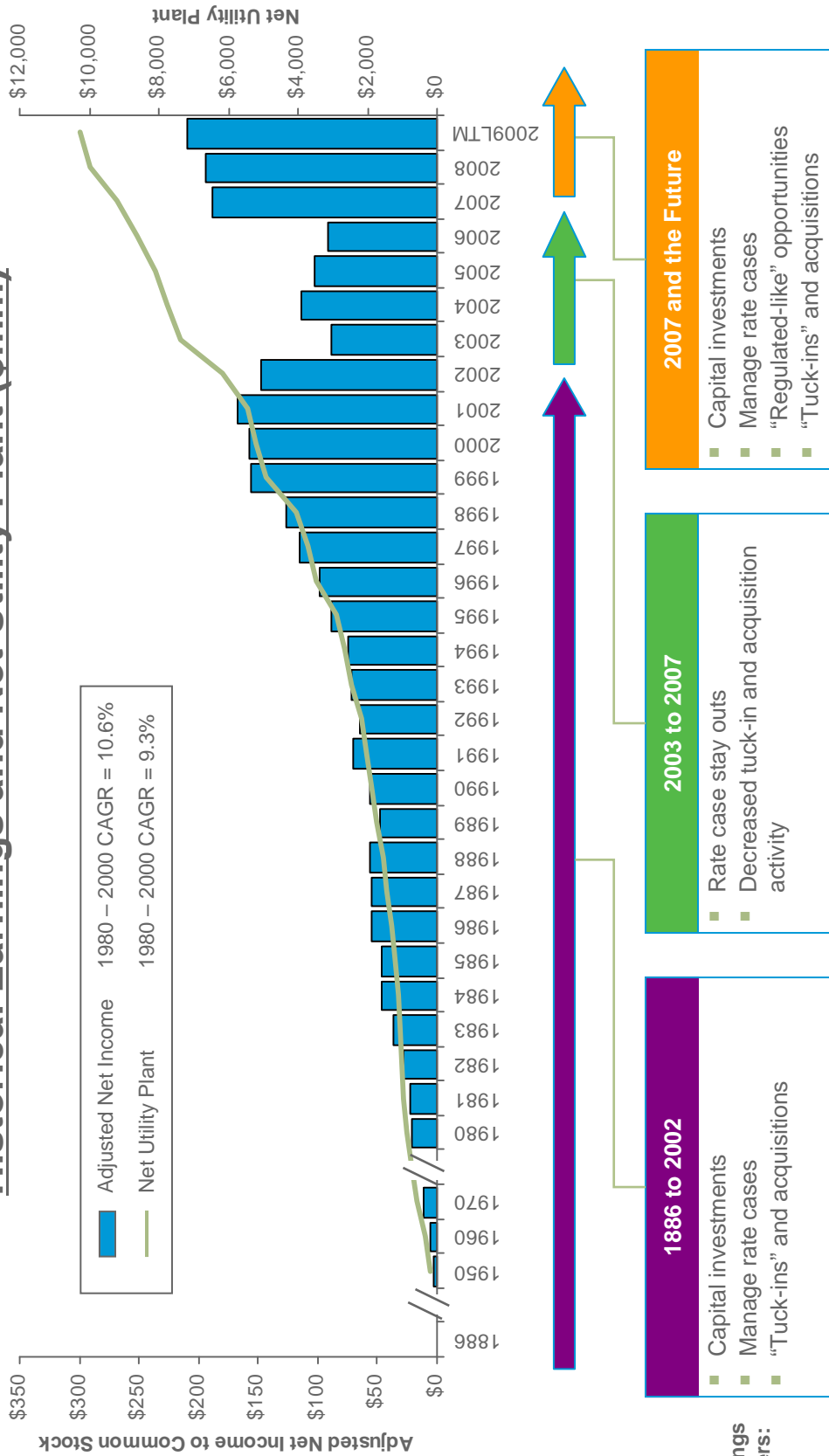
Homeowner Services

- Over 720,000 contracts
- 16 states

For LTM (as of June 30, 2009), AWK reported \$265.8 million of Non-Reg operating revenues

The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



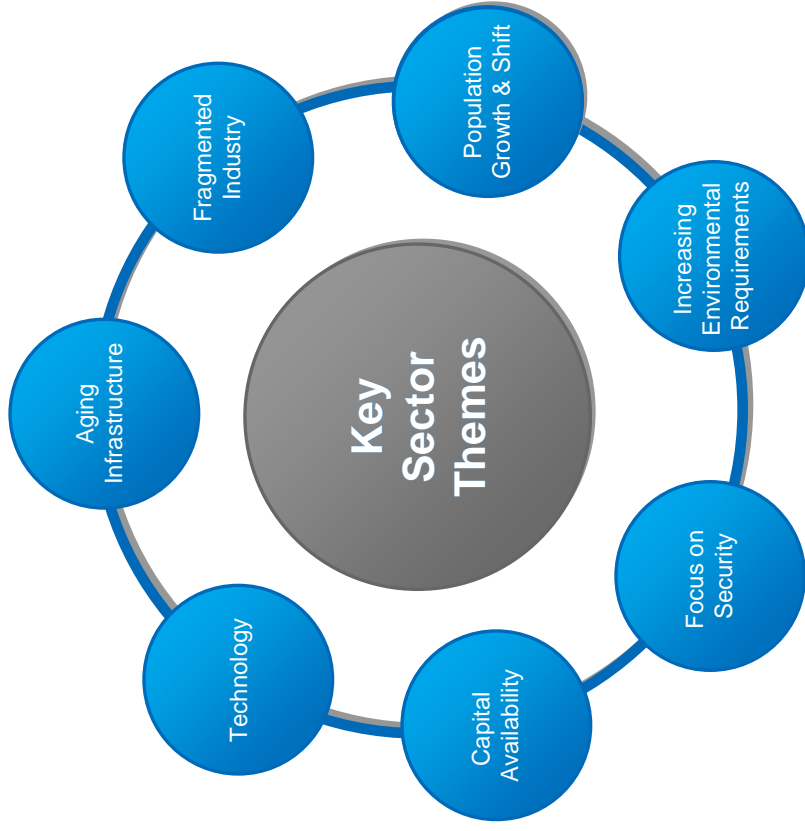
Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E*Town included from 2003 onward. NEI included from 1999 onward.



AMERICAN WATER

The US Water Industry

Water Industry Poised for Significant Growth



American Water Opportunities

- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

American Water is the industry leader and best positioned to take advantage of these growth opportunities

Water Industry Has Most Favorable Utility Profile

Water Utility Characteristics

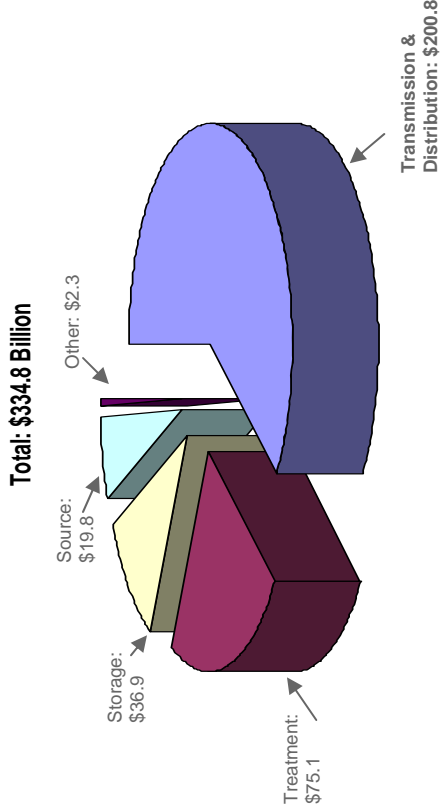
- Capital projects focused on maintaining public health & safety standards
- Water bills are low portion of household utility budget
- Essential product with no available substitutes
- Water industry raw input costs (i.e. water and chemicals) are less volatile than energy commodity costs (i.e. coal and natural gas) for electric and gas utilities
- M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards

Implications

- Regulators supportive of prudent projects
- Demand is more price inelastic than electric or gas
- More stable rates for customers
- Cost forecasting and regulatory lag is more manageable
- Regulators support the strengthening of water systems via M&A
- Water utilities can be more cost efficient and responsive to demand fluctuations
- Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

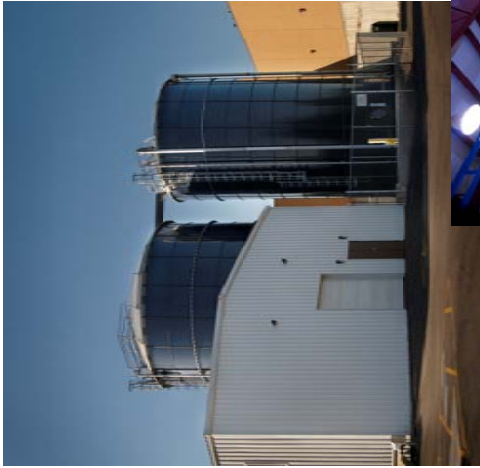
2009 GRADE: D-

2009 GRADE: D-

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars


Physical condition of wastewater treatment systems also poor due to lack of investment



SPORTS

PAGE A2:
Mets clinch World Series

PAGE A2:
American Water trades at \$40



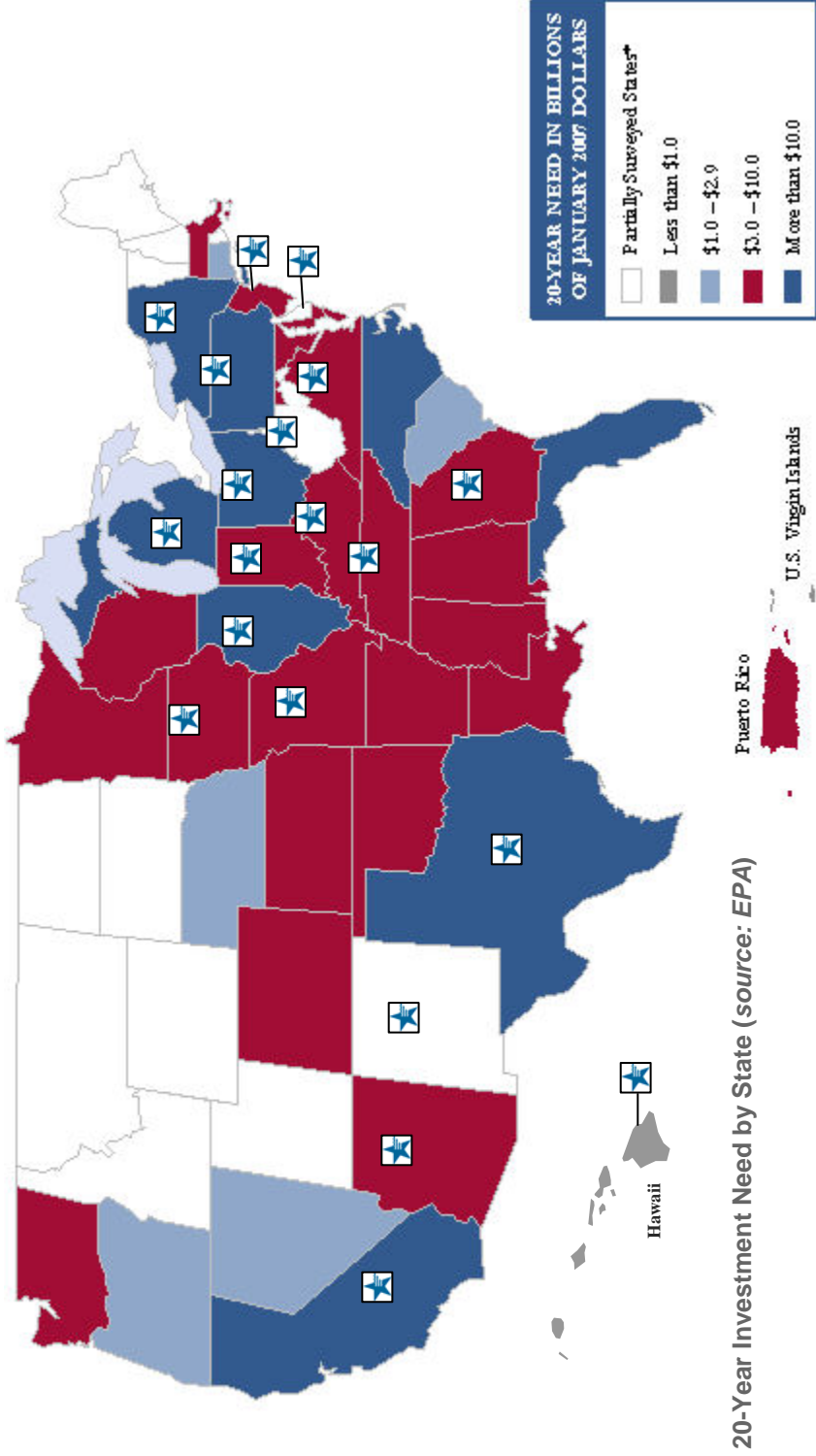
San Francisco Chronicle

Printed on recycled paper | SOMEDAY, MAYBE 2007 | sfchron.com | 415-775-1111 | 40¢ plus tax

Wastewater investment needs

- U.S. EPA: \$202.5 billion, an increase of \$16.1 billion (8.6%) since the previous analysis was published in January 2004.
- The EPA Gap Analysis estimated that over the next two decades the United States must spend nearly \$390 billion to replace existing wastewater infrastructure systems and build new ones
- The Congressional Budget Office (CBO) estimated that for the years 2000 to 2019, annual costs for investment would need to be between \$13 billion and \$20.9 billion for wastewater systems

Investment needs are larger in heavily-populated & fast growing areas that closely mirror American Water's footprint

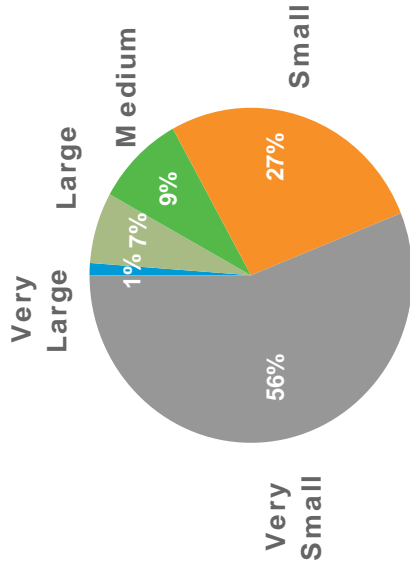


Note: Does not include needs for American Indian and Alaskan Native Village water systems.

Consolidation is Essential to Address Industry Challenges

Industry Fragmented Across Small Systems

[Number of U.S. Water Systems by Water System Size^{\(1\)}](#)

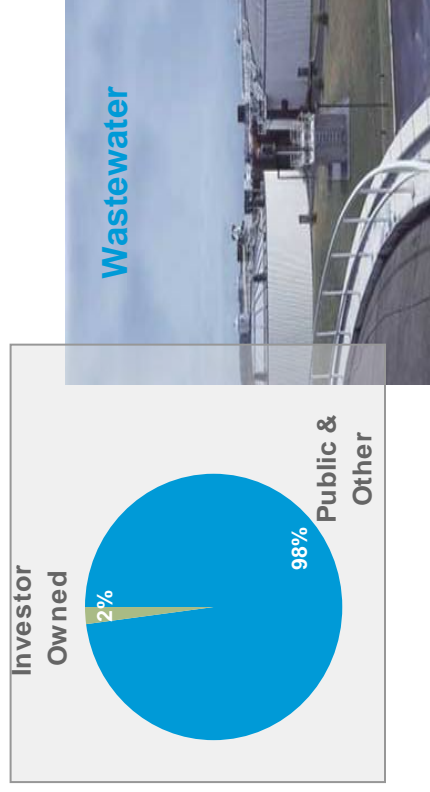
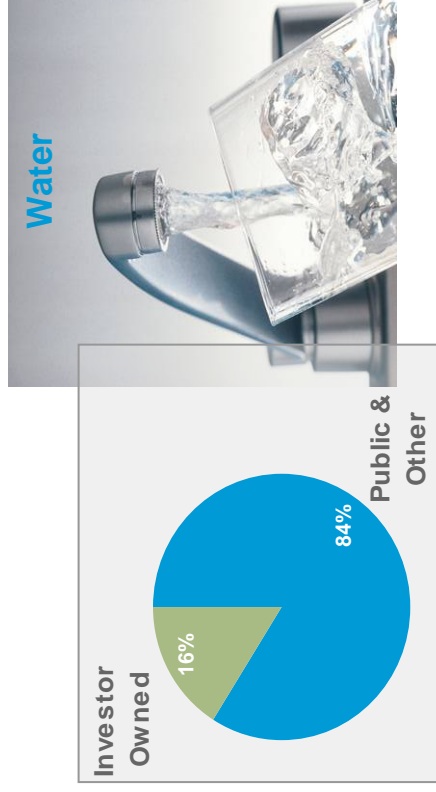


51,988 Water Systems

(1) Source: EPA, Drinking and Ground Water Statistics, 2008.

- Maintain quality and reliability
- Meet stringent EPA regulations
- Allocation priorities and limitations of capital for public / local systems

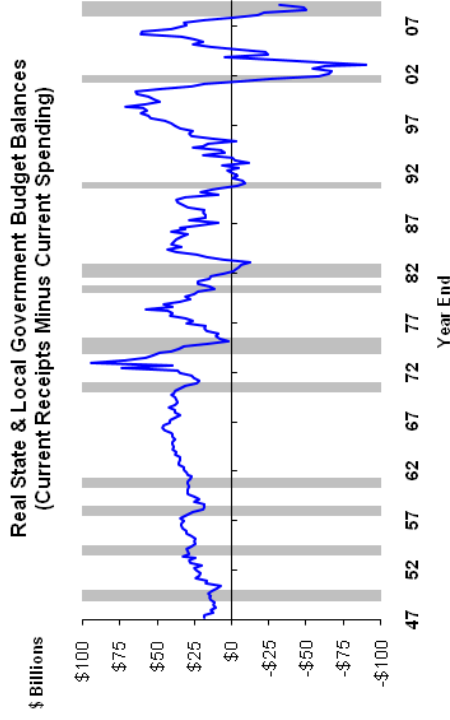
Limited Investor Ownership



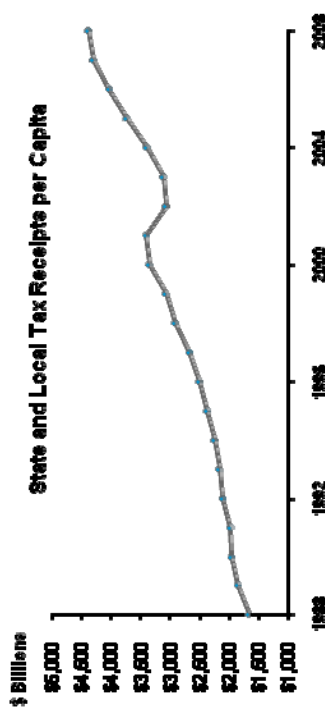
The majority of water systems are owned by capital-constrained entities

Municipalities are facing economic challenges that may not allow needed infrastructure spending

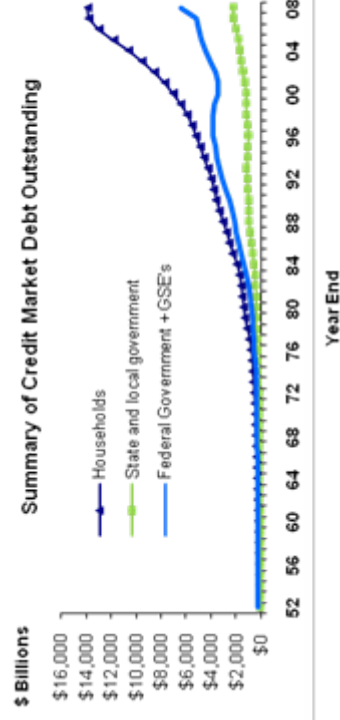
- State and local government budget balances have recorded largest percentage decreases in last 50 years*



- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels



- Offsetting funding shortfalls by increased debt borrowings may also not be viable in current economic climate



*Shaded Area = Recession.
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates).

Our Strategic Direction

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies



AMERICAN WATER

Financial Overview

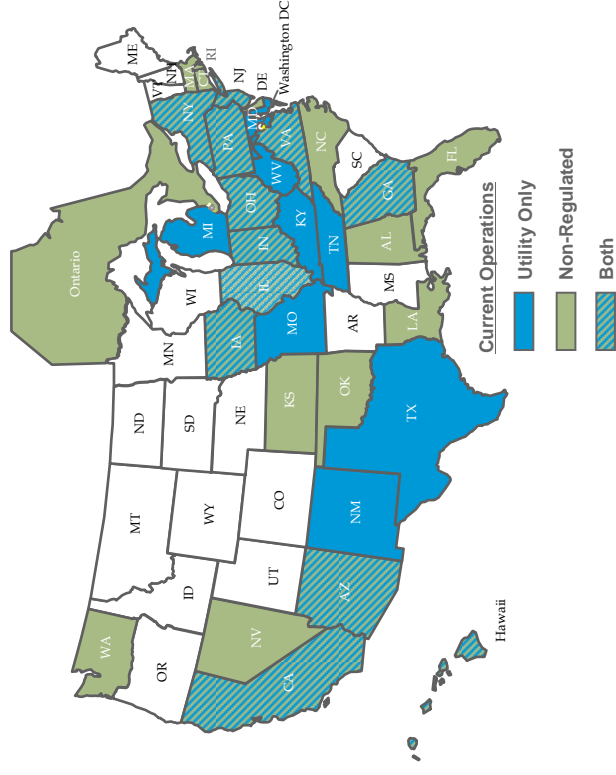
American Water Overview⁽¹⁾

Regulated Businesses:

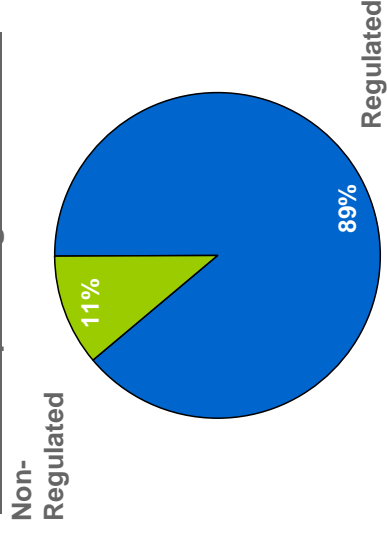
- \$2,159 mm in Revenues
- \$581 mm in Adjusted EBIT⁽²⁾
- Assets owned⁽³⁾
 - 48,000 miles of mains and collection pipes
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams

Non-Regulated Businesses:

- \$266 mm in Revenues
- \$27 mm in Adjusted EBIT⁽²⁾



LTM Net Operating Revenues (1)



Net Operating Revenues: \$2.4 billion

(1) Revenues and Adjusted EBIT are LTM as of June 30, 2009.

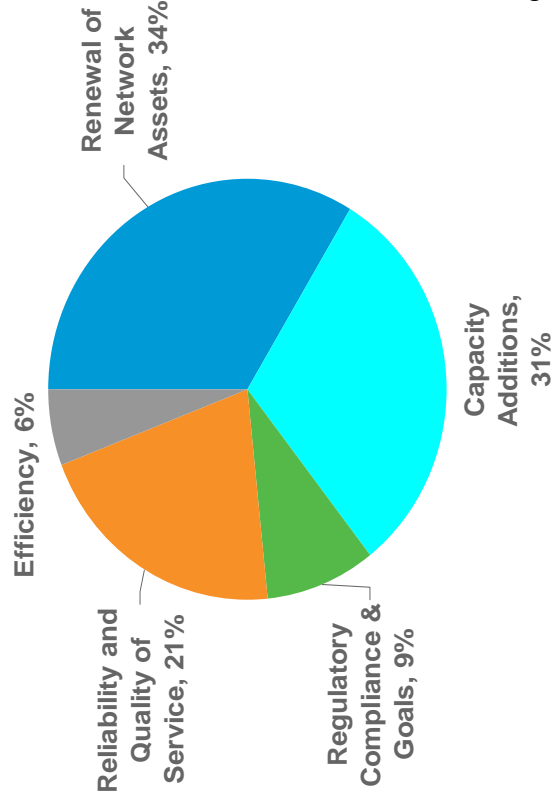
(2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.

(3) Asset data shown is estimated as of December 31, 2008.

Capital Expenditures Overview

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



Projected Net Capex⁽¹⁾ of \$4.0 - \$4.5 billion (2009-2013)

(1) Net capex defined as gross capex less advances and contributions in aid of construction.

General Rate Cases Awaiting Final Order as of September 18, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed)</u>
Hawaii **	2007-0180	11/1/2007	\$1.3	10.60%	TBD	TBD	TBD	\$24.9
Texas *	2008-0910-UCR	2/21/2008	\$0.9	12.00%	TBD	TBD	TBD	\$6.7
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	TBD	TBD	TBD	\$203.3
California *** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	TBD	TBD	TBD	\$215.8
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	TBD	TBD	TBD	\$1,861.3
Iowa ****	RPU-2009-0004	4/30/2009	\$9.4	12.20%	TBD	TBD	TBD	\$86.7
Indiana	43680	4/30/2009	\$46.9	12.00%	TBD	TBD	TBD	\$670.5
Maryland	9187	4/30/2009	\$0.8	11.75%	TBD	TBD	TBD	\$11.8
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	TBD	TBD	TBD	\$74.8
Illinois	09-0319	5/29/2009	\$58.6	12.25%	TBD	TBD	TBD	\$610.3
Arizona (Anthem, etc.)	W-01303A-09-0343	7/2/2009	\$20.6	12.25%	TBD	TBD	TBD	\$220.4
New Mexico (Edgewood)	TBD	8/21/2009	\$0.7	12.25%	TBD	TBD	TBD	\$4.0

* Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.

** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.

*** Calif. Rate increase amount includes test year (2010) increase of \$26.1 million, and staged increase of \$6.6m effective in escalation year of 2011.

**** Interim rates for Iowa implemented (\$6.8m add'l annual revenues) during July, and will be adjusted upon issuance of final order from commission.

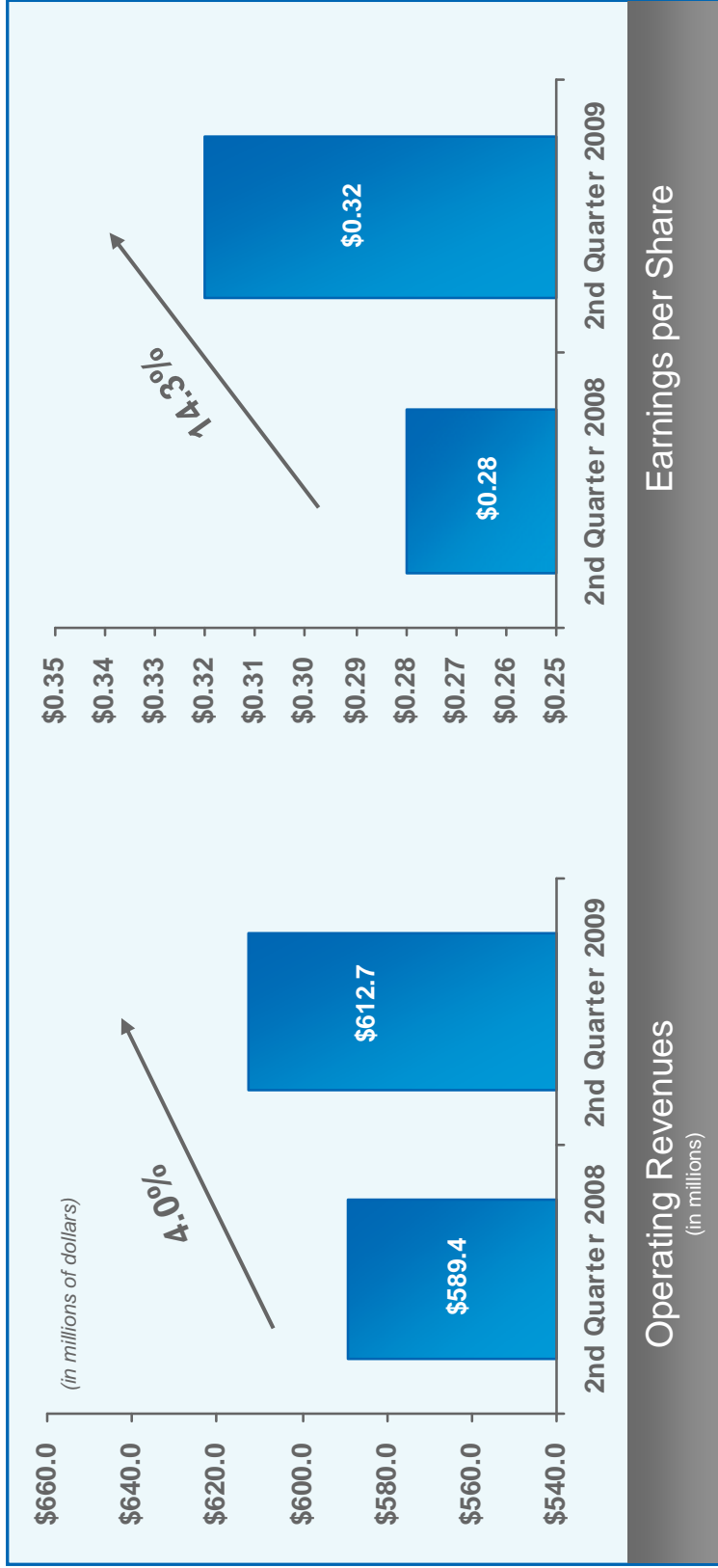
Rate Case Summary

Rate Cases Finalized in 2008 and 2009

Docket / Case Number	Date Filed	Amount Filed	ROE Requested	Effective Date for new rates	Actual ROE		Rate Base (Filed / Approved)
					Granted	Granted	
Michigan N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia 07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW) WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island * 07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc) ** 07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water) WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem) WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia *** PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois 07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee 08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio 07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW) R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey **** WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia 08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico 08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM* (NJ) WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE) A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky 2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
Calif ** (Monterey Water) A 08-01-027, 024	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California *** (Monterey WW) A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California **** (Gen Office) A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A

- Infrastructure charges granted January 1, 2008 through June 30, 2009 of \$32.7 million
- Infrastructure charges granted between July 1 and September 17, 2009 of \$11.5 million
- Infrastructure charges were finalized in 2009 which will provide annual revenue of \$25.6 million

2009 Second Quarter Financial Highlights



Operating revenues increased by \$23.3 million, driven by:

- \$46.5 million impact from rate increases
- Offset by \$24 million lower demand

Net income of \$52.0 million or \$0.32 per share driven by:

- Top-line growth

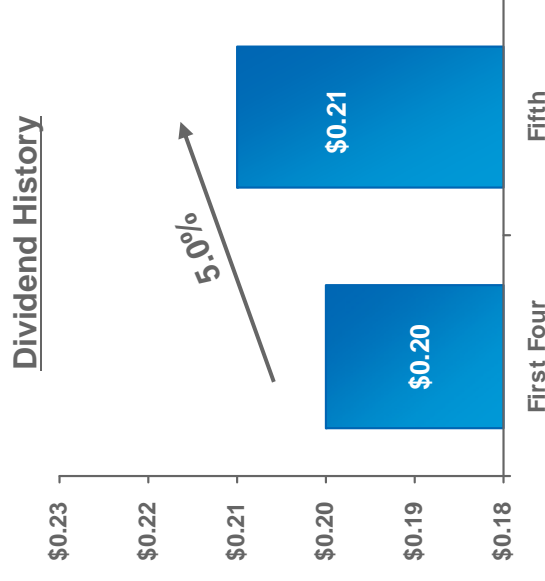
Dividends Paid – Return on Shareholder Investment

- **Declared five quarterly dividends since IPO**
 - Declared and paid four dividends
 - Paid fifth dividend of \$0.21 per share on September 1, 2009

- **Dividend policy**

- Quarterly basis
- Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
- Subject to approval by American Water's Board of Directors

- **Committed to meeting shareholders' expectations**



Attractive Risk-Adjusted Total Return Story

- **Long-term EPS growth:**
 - Rate increases to earn allowed ROEs
 - Appropriate capital investment/higher rate base
 - “Regulated-like” opportunities provide additional upside potential
- **Annualized quarterly dividends of \$0.84 per share Stable earnings and operating cash flows support dividend**
 - Expected to grow with higher earnings
 - Target dividend policy of 50% - 70% of net income annually
- **American Water is committed to meeting shareholders’ expectations, a solid investment grade rating and targeted capital structure with a long-term total debt ratio of approximately 50% – 55%**

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

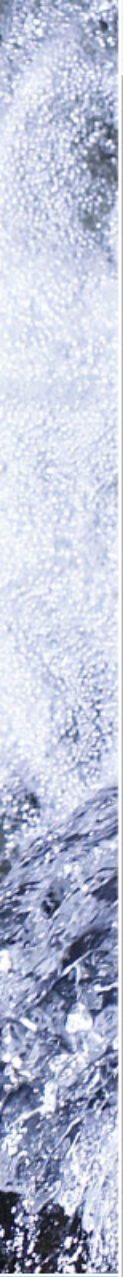
Proven Management

*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*

AWK
LISTED
NYSE

WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Appendix

US Water Industry faces complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ■ Replacement of Infrastructure 	<ul style="list-style-type: none"> ■ Full cost recovery ■ Scale driven efficiency ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ■ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ■ Water Supply 	<ul style="list-style-type: none"> ■ Conservation <ul style="list-style-type: none"> ■ Total water management ■ Reuse <ul style="list-style-type: none"> ■ Leak Technology/AMR ■ Desalination
<ul style="list-style-type: none"> ■ Fragmentation 	<ul style="list-style-type: none"> ■ Economies of scale ■ Operational Efficiencies Through Consolidation ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Funding for needed investments 	<ul style="list-style-type: none"> ■ Low interest financing ■ Federal Funding ■ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ■ Sound Stewardship 	<ul style="list-style-type: none"> ■ Consolidation ■ Public-Private Partnerships ■ Transparency

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

Impact of the Economic Crisis on U.S. Municipalities

Loss of jobs/Loss of economic development and growth

Limited access to operating cash/expensive short-term borrowing

Access to Credit Denied/Delayed/Costly
– capital projects delayed

Lost Values in Pension Funds and 401K retirement accounts

Foreclosures and Housing Values
= lost property tax revenue

Expanded focus on Public Private Partnerships

How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy's productive capacity
- Investment in water and sewer infrastructure yields positive returns.
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35 *
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year *
- Adding one job in water and sewer creates 3.68 jobs additional jobs in the national economy *
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*

Adjusted EBITDA Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	6,859
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	285,155
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(14,497)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$869,263
						\$904,483

Adjusted Net Income Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$194,048
						\$209,901

Adjusted Earnings Per Share Reconciliation

	Historical							
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009
Net Income (Loss) from Continuing Operations Adjustments	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$562,421)	(\$413,079)	\$51,989
Add: Impairment charges	509,345	750,000	0	0	0	750,000	450,000	
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(11,525)	(6,976)	
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054	29,945	51,989
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32

Adjusted EBIT Reconciliation

(\$ in Thousands)

	LTM		
	Regulated	Un-regulated	Consolidated
Income before taxes	\$0	\$0	(\$106,054)
Other	0	0	7,598
Interest, net	0	0	(64,679)
Impairment charges	0	0	(450,000)
Segment Income	370,610	30,417	401,027
Amortization of Debt expense	5,331	0	5,331
Preferred Dividends	225	0	225
Interest, net	229,380	(3,271)	226,109
Allowance for borrowed funds during construction	(8,941)	0	(8,941)
Allowance for other funds during construction	(15,487)	0	(15,487)
Adjusted EBIT	\$581,118	\$27,146	\$608,264

Completed Debt Financings Since September 2008

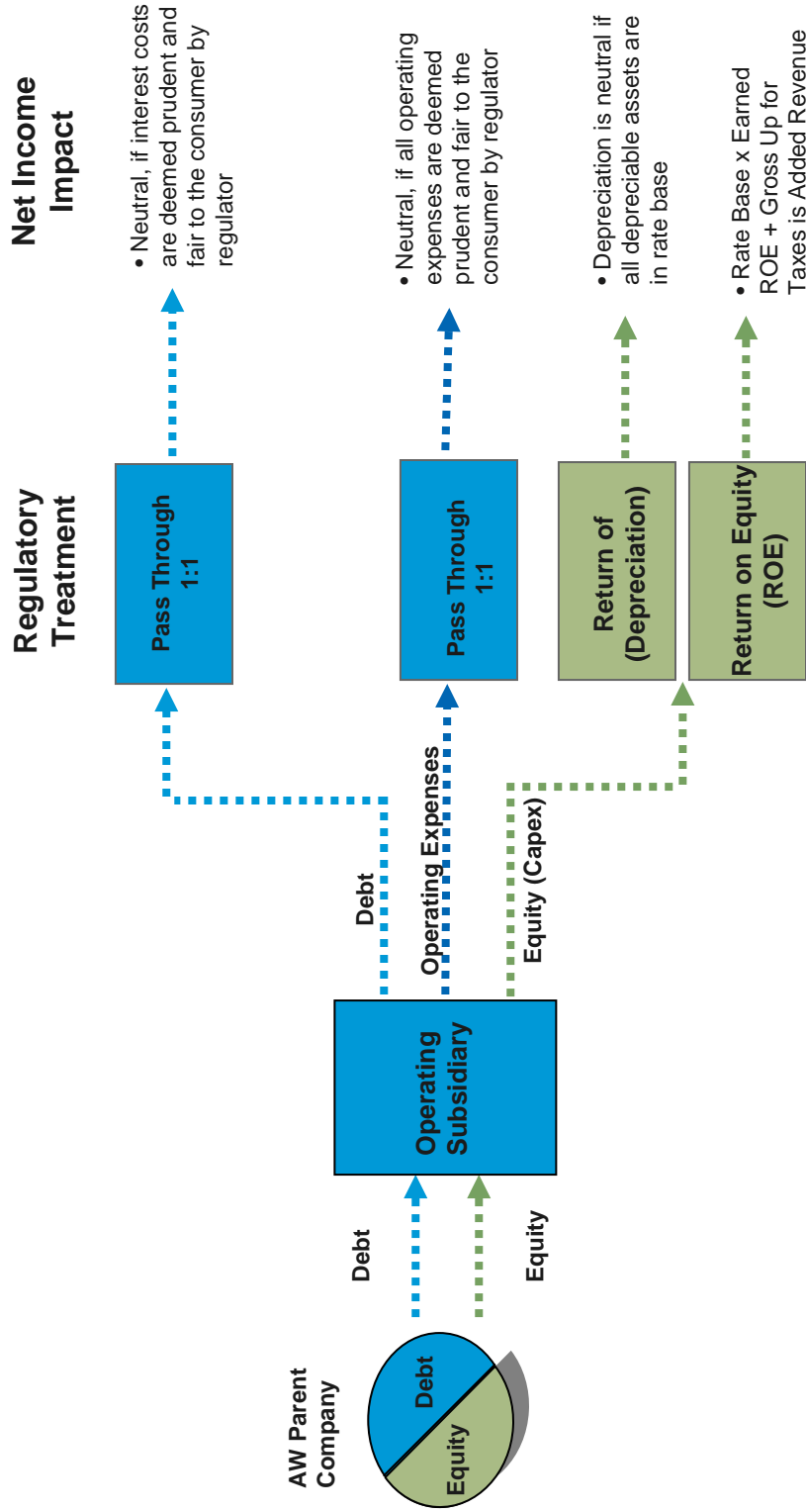
	Borrower	Underwriter	Coupon	Tenure	Status	Date
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	4-Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.20%	30 Years	Completed	8-Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13-May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9M Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May
\$45.39M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley/Ross Sinclair	6.25%	30 Years	Completed	23-Jun
\$26M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley	5.63%	30 Years	Completed	10-Sep

* Actual Investors.

Regulation & Rate Setting Process

- **Role of regulation**
 - Protect consumers
 - Ensure utilities receive appropriate rate of return
- **Rates set by Public Utility Commissions in each state**
 - Rates set according to traditional rate base / rate of return policies
 - Rates are based on historical or future costs
 - Operating costs are passed through
 - Carrying costs (AFUDC) can be capitalized
- **Regulators moving toward policies which encourage needed investment**
 - Timely rate adjustment mechanisms for infrastructure replacement in Pennsylvania, Illinois, Indiana, Missouri, Ohio and New York
 - Infrastructure surcharges adjust periodically based on qualified capital expenditures being completed or anticipated in a future period
 - Future test years to set rates in California, Hawaii, Kentucky, Illinois, New York and Ohio
 - Pre-approval of capital expenditures
 - Consolidation of troubled water and wastewater systems
- **Rate setting process allows consumer and intervener involvement**

How is Net Income generated in Rate of Return Regulation?



If all assets are included in the company's Rate Base and all operating expenses are deemed prudent and recoverable by the regulator, then the company earns its allowed ROE, assuming no regulatory lag between rate cases

AWK Accomplishments in 2009: Executing on Our Strategy

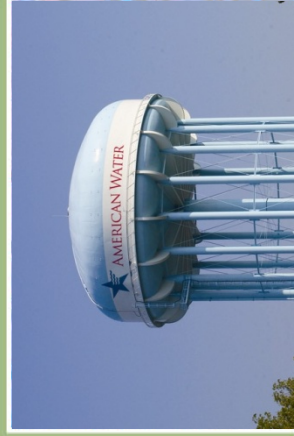
- **Capital Invested**
 - Approximately \$0.4 billion in the 1H 2009
- **Rate Authorizations Granted**
 - \$17.7 million additional annual revenue granted in 1H 2009, including:
 - Kentucky \$10.3 million (general rate case) in 2009
 - West Virginia \$5.2 million (general rate case) in 2009
 - New Mexico \$1.2 million (general rate case) in 2009
 - California \$0.1 million (general rate case) in 2009
 - Infrastructure surcharges (Various States): \$14.1 million in 1H 2009
 - Averaging greater than 10% return on equity in rate orders received
- **Rate Cases Awaiting Final Order as of September 18, 2009**
 - \$258.8 million in additional annual revenue from 10 additional states
- **Growth**
 - Trenton, NJ “Tuck-in” acquisition in progress
 - Pine Hill, NJ, up to 210,000 gallons a day, 2,100-foot pipeline
 - Warren Township, NJ, three treatments plants and 17 pumping stations, population of more than 14,000
 - Laredo, TX, 50,000 gallon-per-day desalination pilot plant, Estimated population of 215,000



AMERICAN WATER

reNEW the Strength of your
Portfolio with Water: Sustainability,
Dependability and Dividends

Ellen Wolf
CFO American Water
Money Show – August 22, 2009



Cautionary statement concerning forward-looking statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

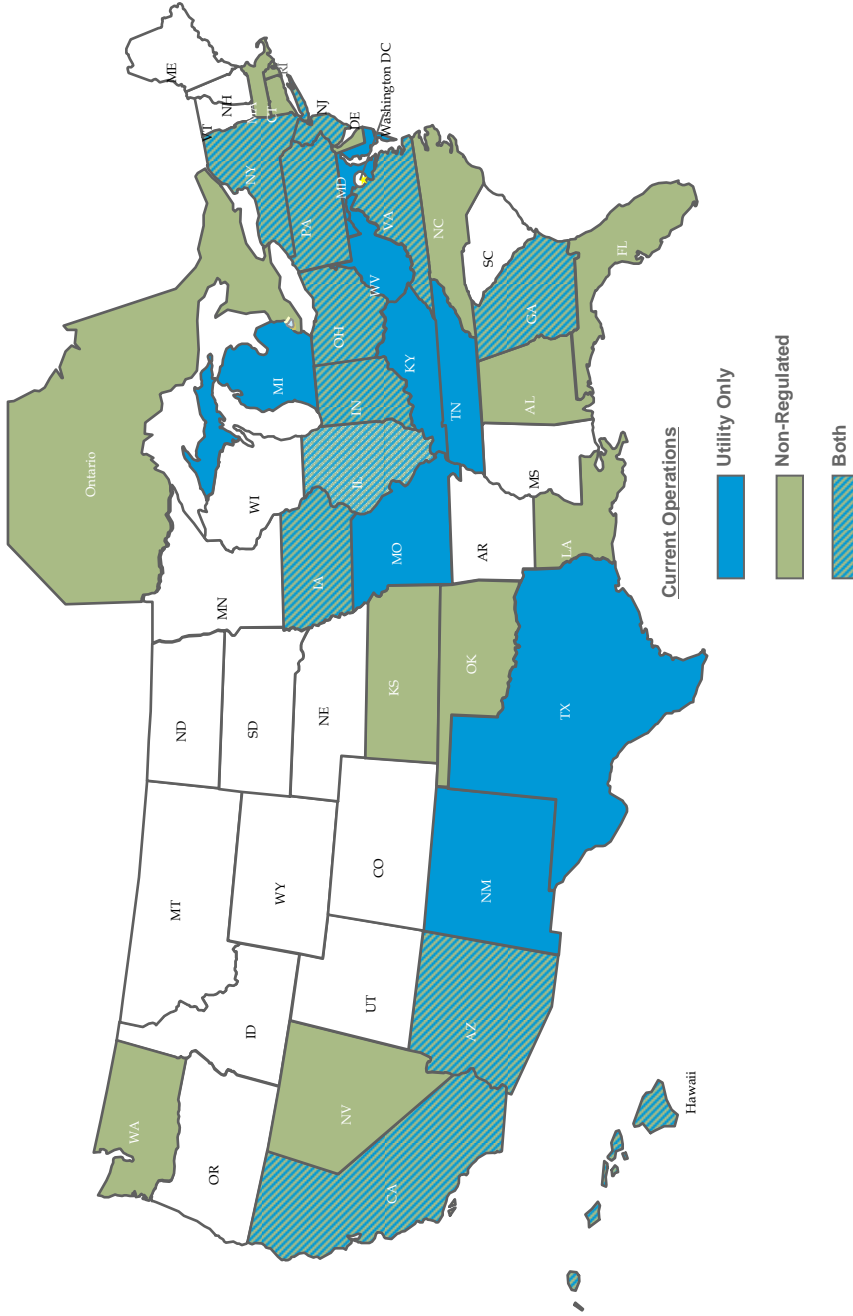
*of water utility industry with
supportive regulatory
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Proven Management

*with extensive water utility
industry expertise*

***American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook***

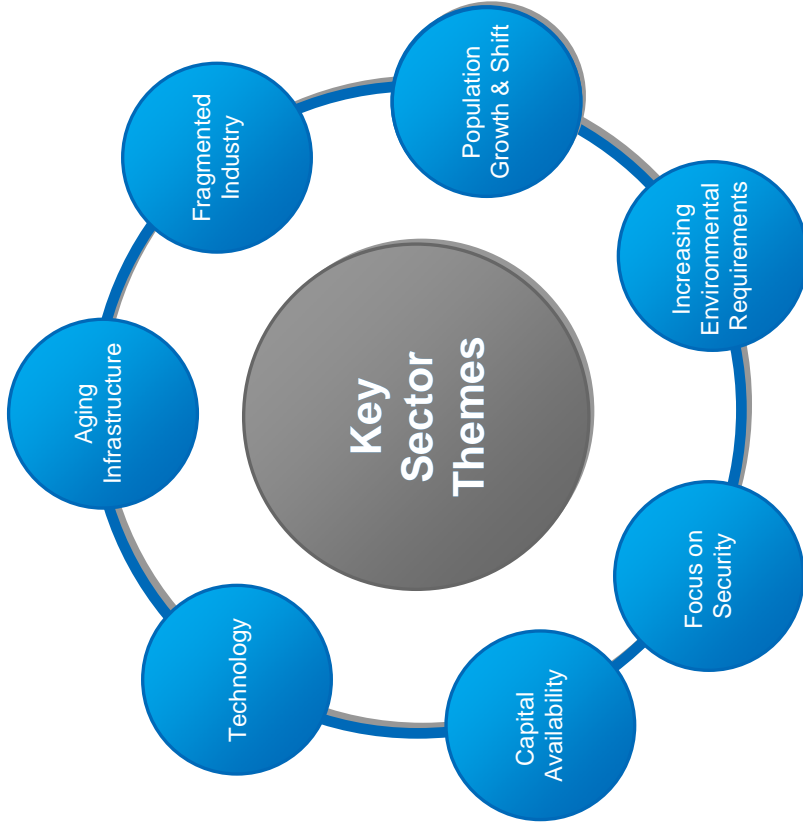
American Water Operations Overview



American Water serves approximately 5% of the U.S. population

Note: Percentages account for inter-segment eliminations.

Water Industry Poised for Significant Growth



American Water Opportunities

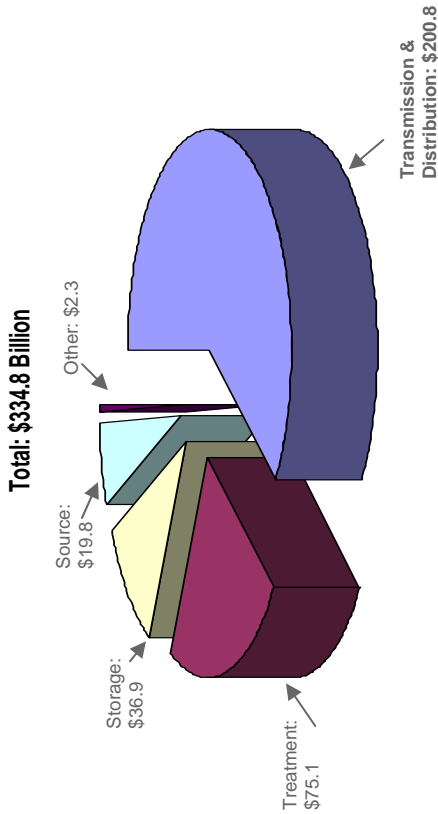
- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

Water industry structure favors large players and American Water is best positioned to lead

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

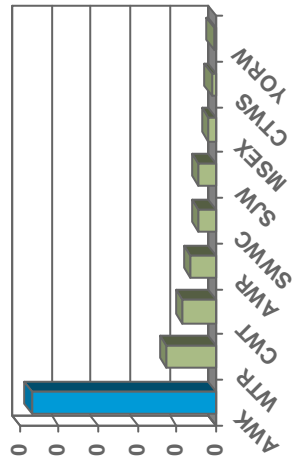
Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

American Society of Civil Engineers (ASCE) grades US infrastructure

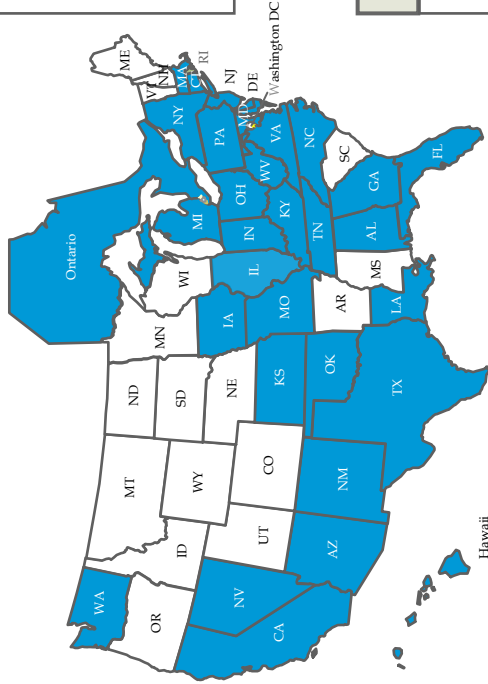
- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

The Largest Water Services Provider in North America

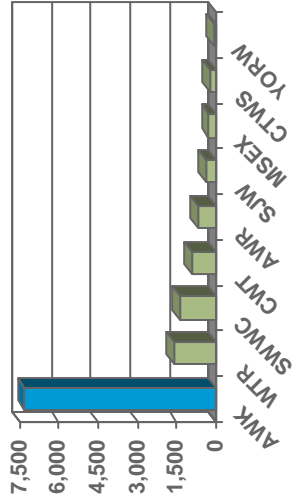
Total Revenues (in millions)



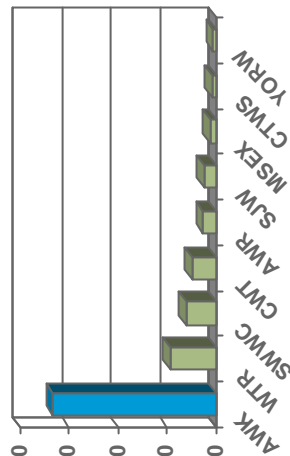
American Water's National Presence



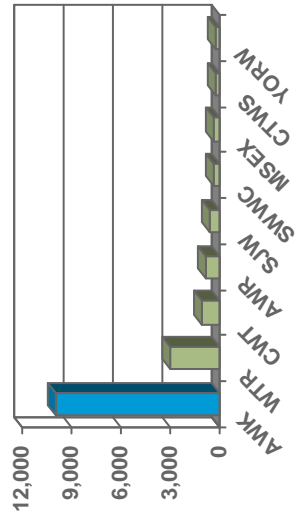
Employees



Customers (in thousands)



Net Utility Plant (in millions)



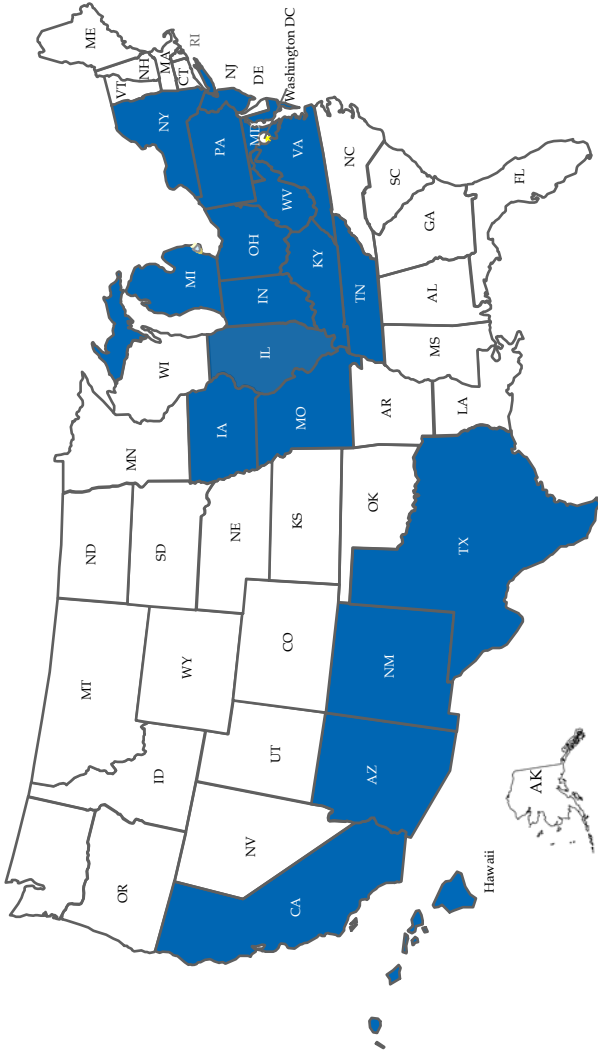
Note: All data is as of December 31, 2008.

American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

American Water's Regulated Presence



State	Customers Served	2008 Revenues (\$ in millions)
New Jersey	643,330	\$517.7
Pennsylvania	648,958	447.9
Illinois	307,734	187.5
Missouri	456,887	181.1
Indiana	283,886	156.4
California	170,853	128.6
West Virginia	170,404	115.7
Other	639,663	347.8
Total Regulated Business	3,321,715	\$2,082.7

American Water serves approximately 5% of the U.S. population

Our Non-Regulated Businesses: A Complement to Core Competencies



Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA

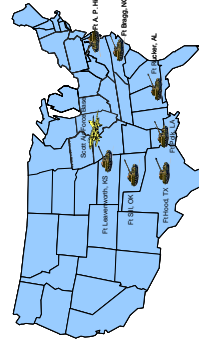


Contract Operations

- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

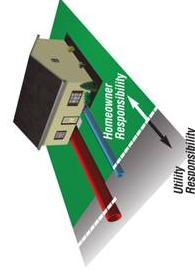
*Includes 15 AWM projects

**Includes 228 AWM projects



Military Bases Privatization

- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Scott Air Force Base, IL



Homeowner Services

- Over 720,000 contracts
- 16 states

For LTM (as of June 30, 2009), AWK reported \$265.8 million of Non-Reg operating revenues

Our Strategic Direction

Realizing Today's Value

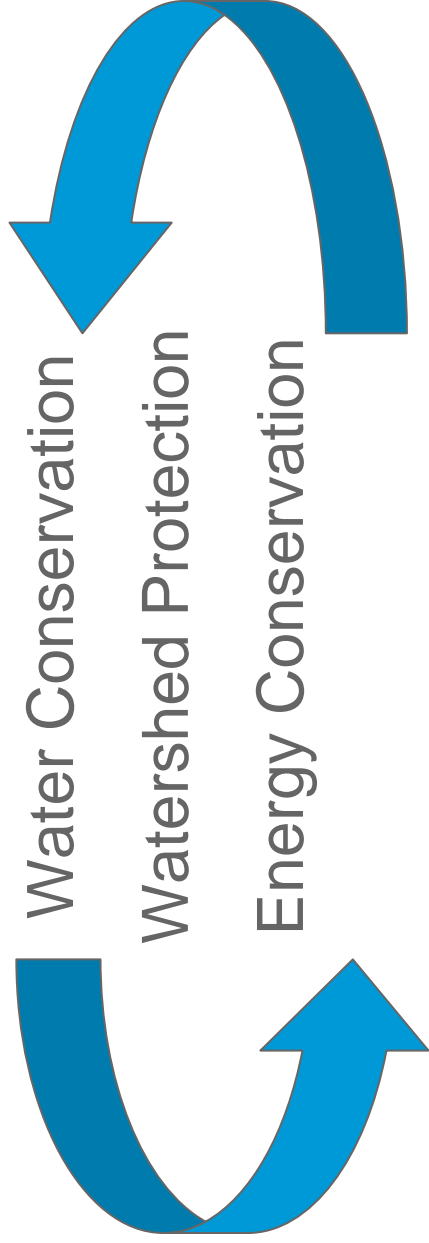
- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies

Sustainability

Water is a “Green” Industry



Water Conservation Via Infrastructure Investments

American Society of Civil Engineers: *Each day, approximately six billion gallons of treated water are “lost” primarily due to system leaks throughout the United States*

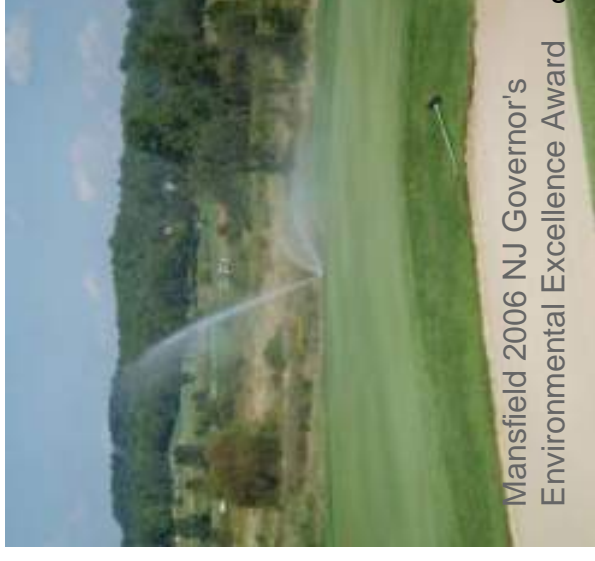
- Approximately 14% of the nation’s total daily water production

Solution:

- Replace old, leaking pipes
- DSIC is a funding method that allows utilities to accelerate the rate of infrastructure replacement
- Use the latest technologies to detect and repair leaks more quickly (e.g., continuous-read acoustic monitoring)

Water Conservation via Reuse of Treated Water

- Water reuse in the U.S. is a large and growing practice
- Nationally, an estimated 1.7 billion gallons per day is reused.
- Reclaimed water use on a volume basis is growing an estimated 15% per year.
- In 2002, Florida reclaimed 584 mgd. California ranked a close second with 525 mgd used everyday.
- Florida has an official goal of reclaiming 1 billion gallon per day by the year 2010.
- Texas, Arizona, Nevada, Colorado, Georgia, Washington





Types of Reuse

- **Urban Reuse**
 - Irrigation of parks, highway medians, golf courses, etc.
 - Commercial uses such as vehicle washing, window washing, etc.
 - Fire protection
 - Dust control and concrete production
 - Toilet and urinal flushing
- **Groundwater recharge**
- **Augmentation of potable supplies**
- **Industrial Reuse**
 - Cooling water
 - Boiler make-up water
 - Industrial process water
- **Agricultural reuse**
- **Environmental and recreational**
 - To create, restore, and/or enhance wetlands
 - Recreational and aesthetic impoundments

Reclaimed wastewater is an increasingly important source of supply

Beneficial Reuse: Solaire

Recycles up to 25,000 GPD:

- 9,000 GPD toilet flush water
- 11,500 GPD cooling tower make-up
- 6,000 GPD landscape irrigation

Advanced membrane bioreactor system:

- 35% less overall energy consumption
- 65% less energy at peak demand
- 50% less potable water used than other high-rise buildings of same size

Rainwater collection system irrigates 10,000 square feet of rooftop gardens



Treated Effluent Storage Tanks in
Basement Equipment Room



Beneficial Reuse: Gillette Stadium

- 250,000 GPD, membrane bio-reactor wastewater treatment plant – expandable to 1.1 MGD.
- 680,000 gallon equalization tank.
- 3,500 GPM submersible lift station.
- 2.4 acre leach field – on site wastewater discharge and recharges local aquifer.
- Reclaimed water is utilized for stadium toilet flushing.
- \$5.2 million capital project; AWM has 20 year operating contract.
- Commercial development made possible via expandability of recycling capabilities



Beneficial Reuse: Irrigation

- City of Fillmore, California
 - 2006 DBO for new 1.8 MGD, \$40 million, wastewater treatment plant
 - Stringent Performance Criteria
 - Wastewater reuse for irrigation and groundwater recharge
 - Energy
 - Conservation Issues
 - Self Generation Incentives



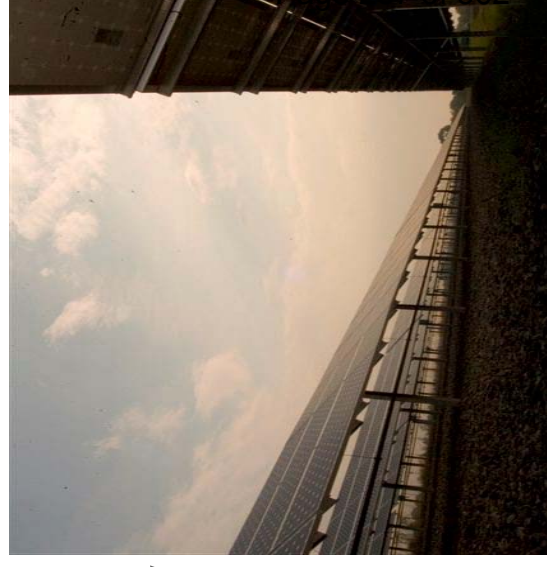
Constituent	Enhanced Requirements ⁽⁵⁾
Biochemical Oxygen Demand (BOD ₅ 20°C)	<5 mg/L
Total Suspended Solids (TSS)	<5 mg/L
Nitrate + Nitrite (NO ₃ -N + NO ₂ -N)	<5 mg/L
Nitrite – Nitrogen (NO ₂ -N)	<0.5 mg/L
Turbidity	0.2 NTU
Title 22 Reuse Water MCLs	
Total Nitrogen	<8 mg/L



What About “Green Power?”

Purchasing or producing “Green Power” will decrease a utilities greenhouse gas emissions, but it will not lower the power consumed.

- **Solar, (e.g. NJAW’s Canal Road WTP)**
- **Wind, (e.g. PAAW’s Yardley WTP)**
- **Bio-methane from plant and landfill recovery**



Canal Road Solar Array



590 kW ground-mounted photovoltaic system

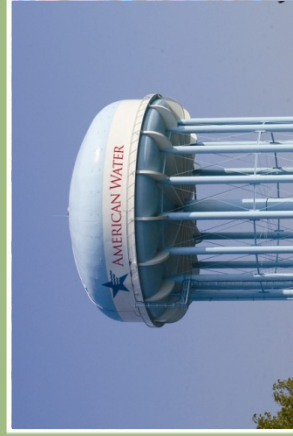
**Produces 687,000 kilowatts of energy / year
(3.7% of total energy consumption)**

**Eliminates 493,800 pounds (224 metric tons)
of CO_{2e} per year**

Sound Stewardship -- Climate Leaders

- A voluntary EPA partnership with U.S. companies to develop long-term, comprehensive climate change strategies
 - Inventory corporate GHG emissions
 - Set corporate-wide GHG reduction goals
 - Measure and report GHG emissions to the EPA
- For more information and a list of Climate Leaders partners, please visit: www.epa.gov/climateleaders



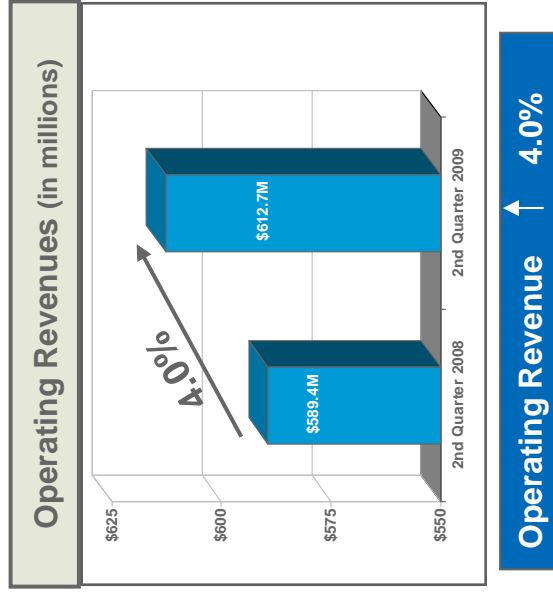


AMERICAN WATER

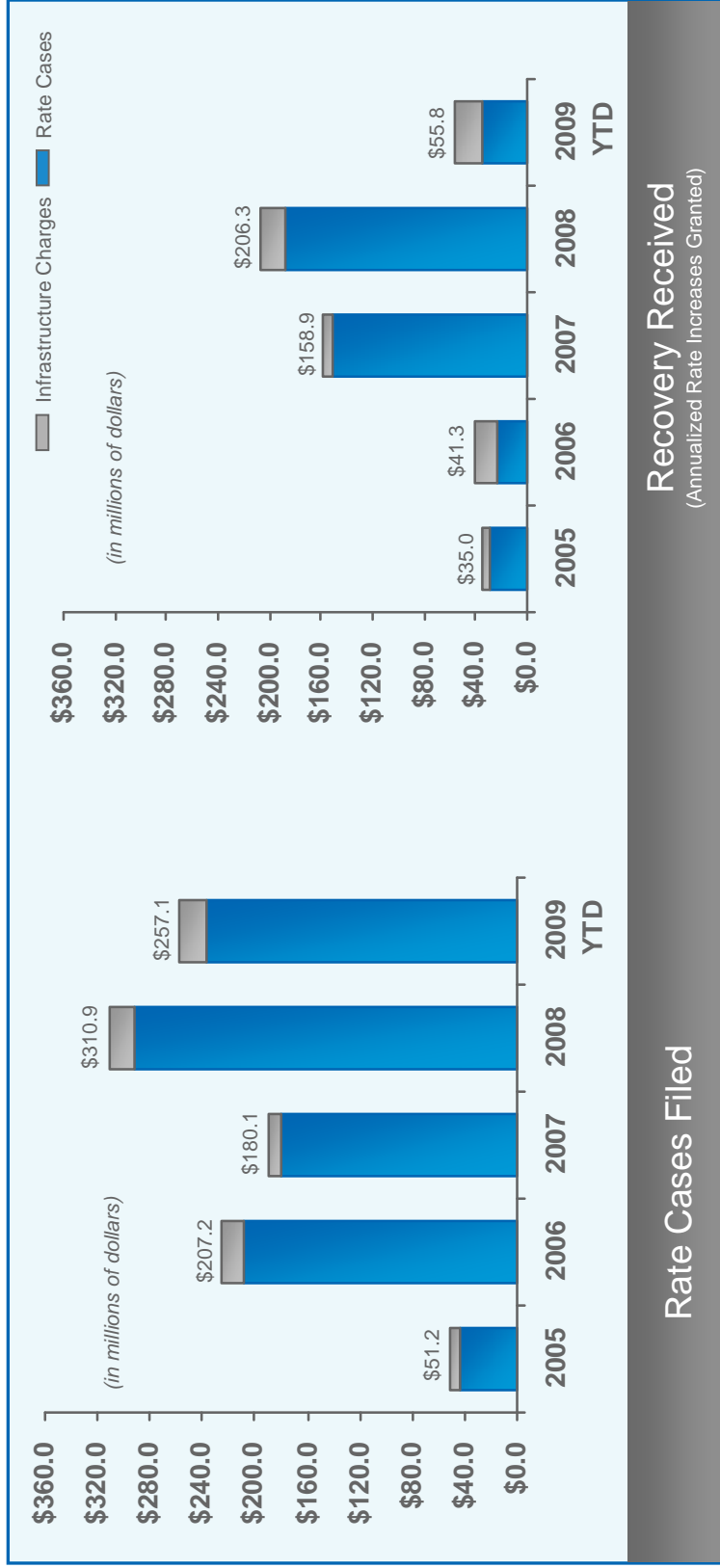
2Q 2009 Financial Update

Revenue Summary

	(In Millions)
Revenue Three Months Ended June 30, 2008	<u>\$589.4</u>
Increase due to rate authorizations	46.5
Increase in surcharges and balancing accounts	1.4
Increase due to 2008 acquisitions	1.6
Decrease due to water consumption	(24.0)
Decrease in Contract Operations	(3.0)
Other, net	<u>0.8</u>
Revenue Three Months Ended June 30, 2009	<u><u>\$612.7</u></u>



Continue to Deliver on Investment and Rate Case Strategy



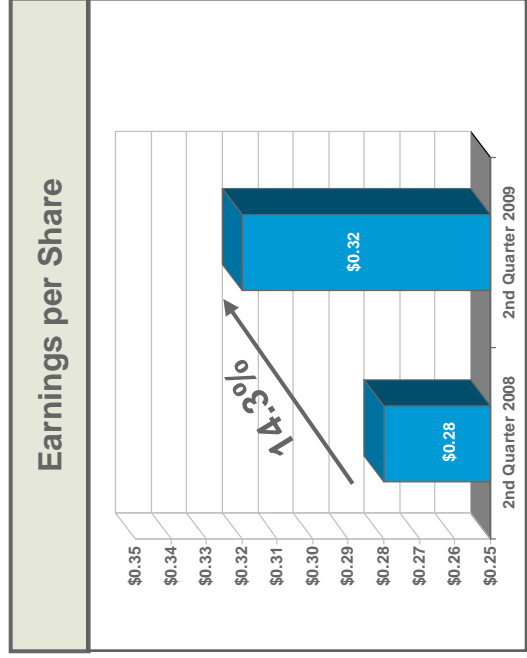
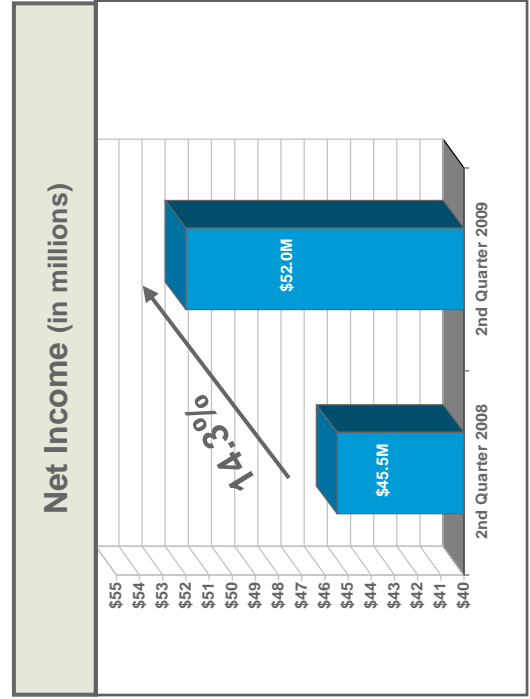
- Infrastructure charges of \$21.0 million (annual revenues) authorized this year in seven states (PA, IL, IN, MO, OH, NY, AZ)
- As of July 31, 2009: rate cases awaiting final order in 10 states, providing \$257.1 million revenues if approved as filed
- AWK subsidiaries have received authorized ROEs in the range of 8.8% to 10.9% from rate orders during the last year

Operating Expense Summary

	<u>(In Millions)</u>
Operating Expenses Three Months Ended June 30, 2008	\$ 446.7
Increase in Employee Related Costs	1.7
Increase in Production Costs	4.6
Decrease in Operational Supplies & Services	(8.1)
- Divestiture	(\$3.8)
- SOX and remediation	(\$2.9)
Decrease in Maintenance Materials & Services	(5.5)
Increase in Customer Accounting & Billing	1.3
Increase in Depreciation & Amortization	5.9
Increase in General Taxes	2.1
Other, net, including insurance and regulatory costs	<u>6.8</u>
Operating Expenses Three Months Ended June 30, 2009	<u><u>\$ 455.5</u></u>

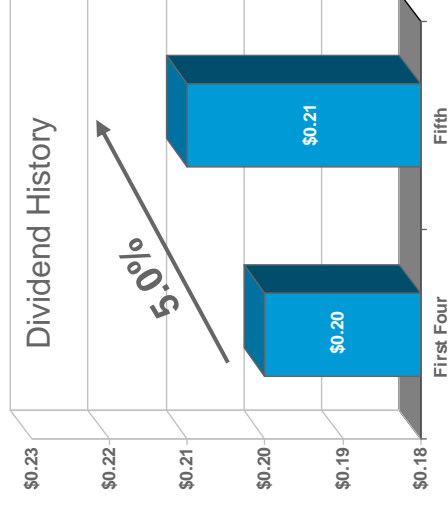
Net Income Summary

	For the Three Months Ended June 30	
	2009	2008
	<i>(In thousands, except per share data)</i>	
Net income to common	\$51,989	\$45,498
Common dividends paid	\$32,006	--
Average common shares outstanding during the period, diluted	163,301	159,976
Net income per common share	\$0.32	\$0.28



Dividends Paid – Return on Shareholder Investment

- **Declared five quarterly dividends since IPO**
 - Declared and paid four dividends
 - Declared fifth dividend of \$0.21 per share on July 31 to pay out September 1, 2009
- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
 - Subject to approval by American Water’s Board of Directors



- **Committed to meeting shareholders’ expectations**

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

Proven Management

*with extensive water utility
industry expertise*

***American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook***



WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

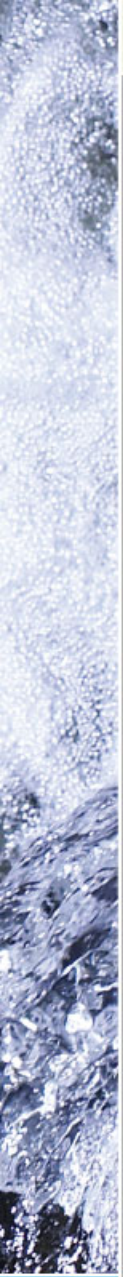
Institutional Investor
August 2009

Cautionary Statement Concerning Forward-Looking Statements

Statements in this presentation that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s annual, quarterly and periodic SEC filings.

The Company undertakes no duty to update any forward-looking statement.



Management Team

Ellen Wolf

Senior Vice President & Chief Financial Officer

Utility Industry Tenure: 20 years

Walter Lynch

President of Regulated Operations

Utility Industry Tenure: 16 years

Ed Vallejo

Vice President of Investor Relations

Utility Industry Tenure: 13 years

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

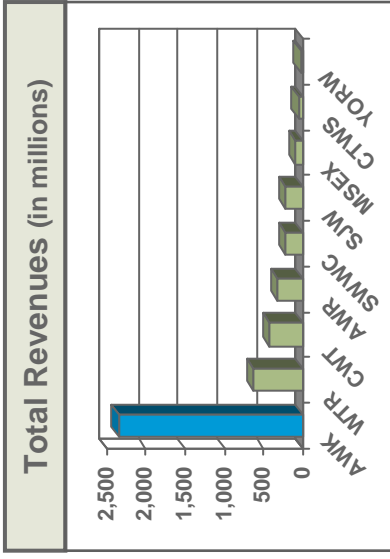
*of water utility industry with
supportive regulatory
environment*

Proven Management

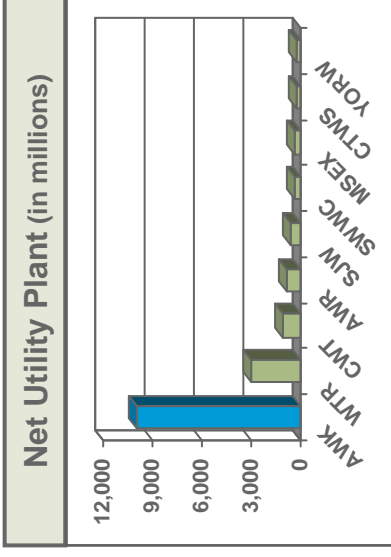
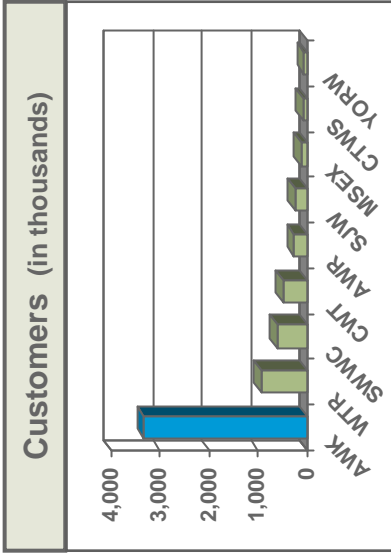
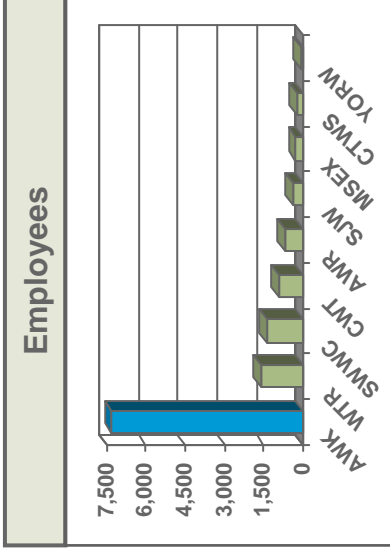
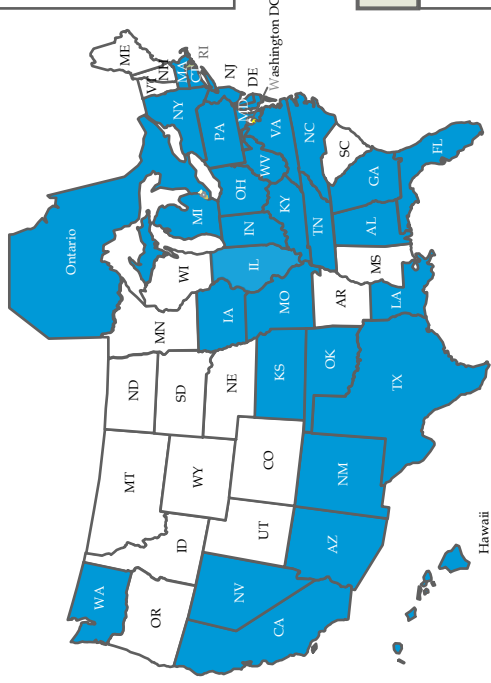
*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*

The Largest Water Services Provider in North America



American Water's National Presence

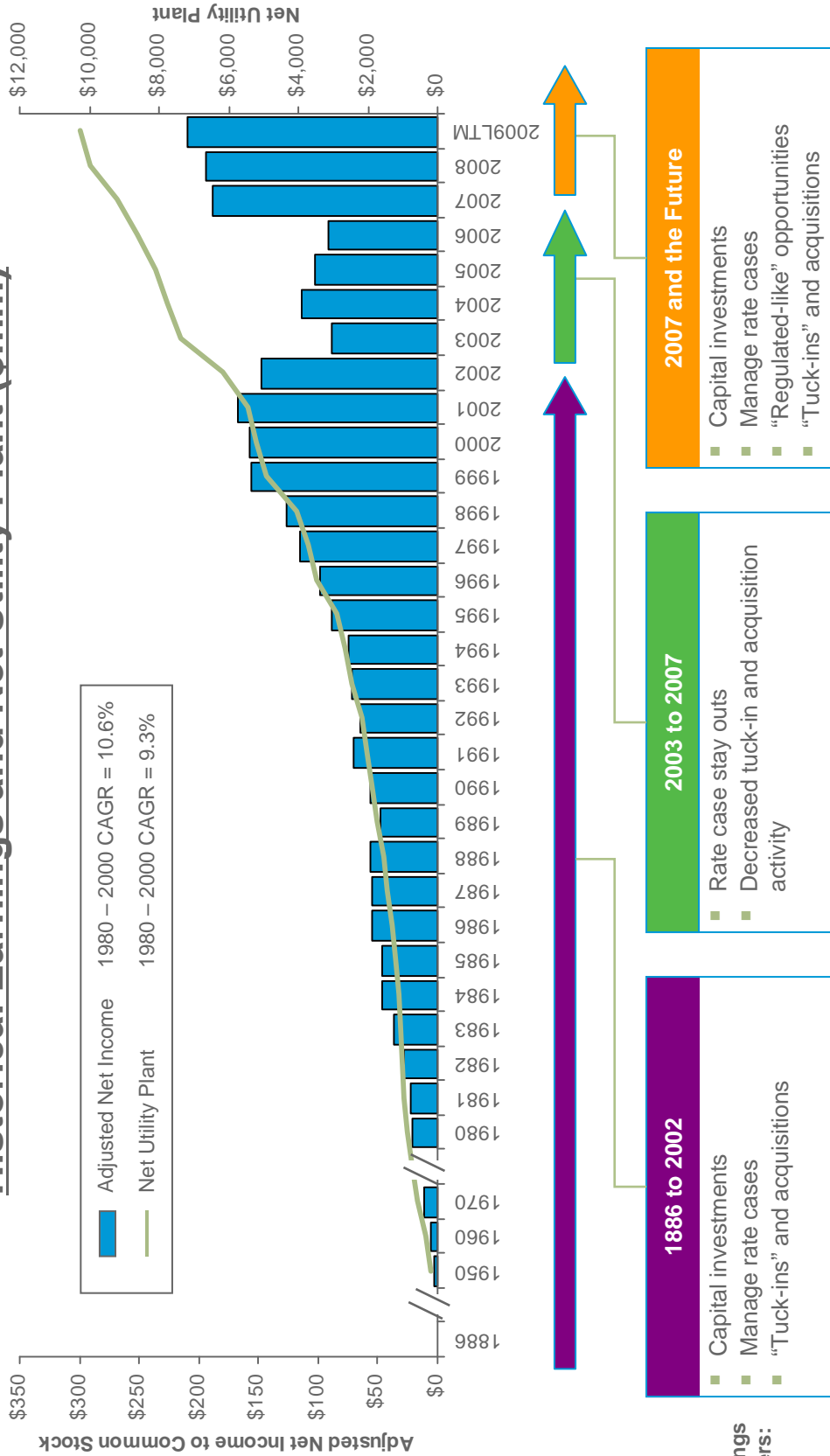


American Water serves approximately 5% of the U.S. population

Note: All data is as of December 31, 2008.

The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E*Town included from 2003 onward. NEI included from 1999 onward.

Water Industry Has Most Favorable Utility Profile

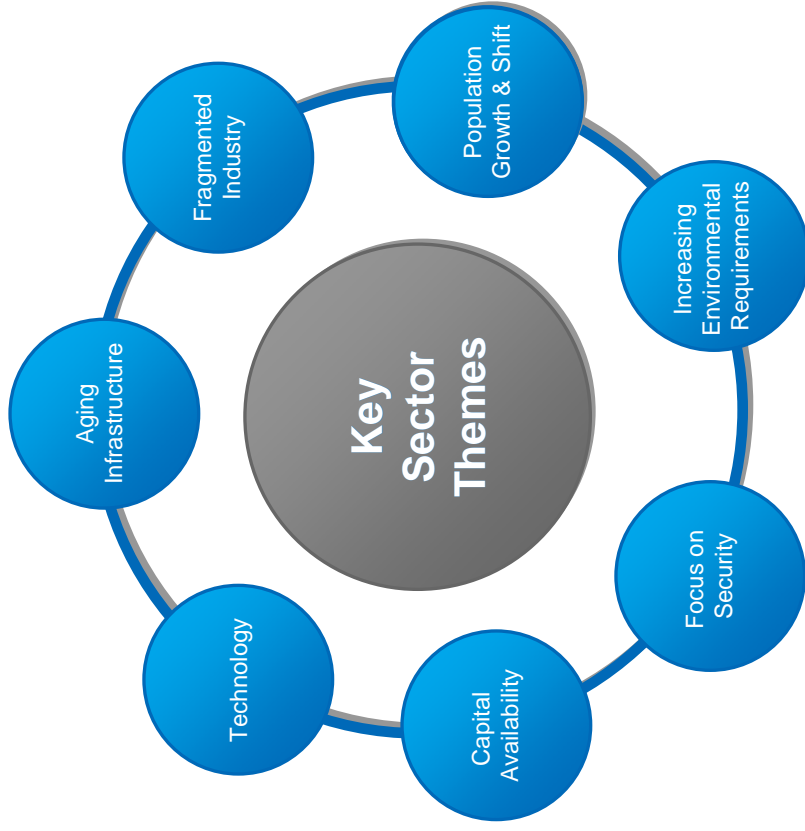
Water Utility Characteristics

- Capital projects focused on maintaining public health & safety standards
- Water bills are low portion of household utility budget
- Essential product with no available substitutes
- Water industry raw input costs (i.e. water and chemicals) are less volatile than energy commodity costs (i.e. coal and natural gas) for electric and gas utilities
- M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards

Implications

- Regulators supportive of prudent projects
- Demand is more price inelastic than electric or gas
- More stable rates for customers
- Cost forecasting and regulatory lag is more manageable
- Regulators support the strengthening of water systems via M&A
- Water utilities can be more cost efficient and responsive to demand fluctuations
- Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction

Water Industry Poised for Significant Growth



American Water Opportunities

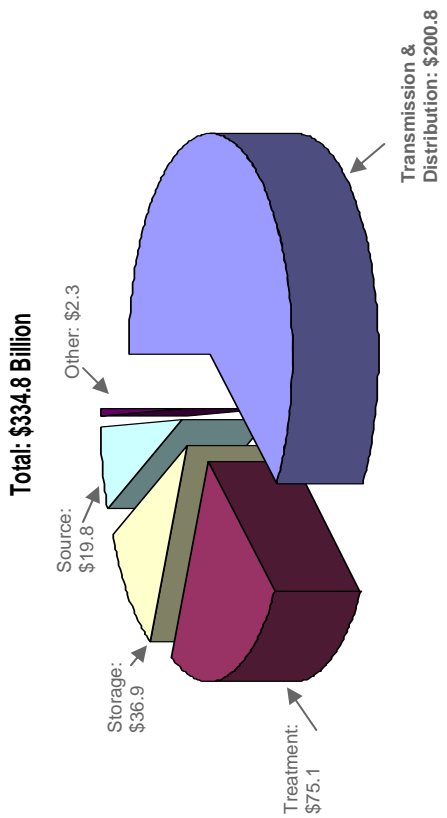
- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

American Water is the industry leader and best positioned to take advantage of these growth opportunities

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure



Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

2009 GRADE: D-

2009 GRADE: D-

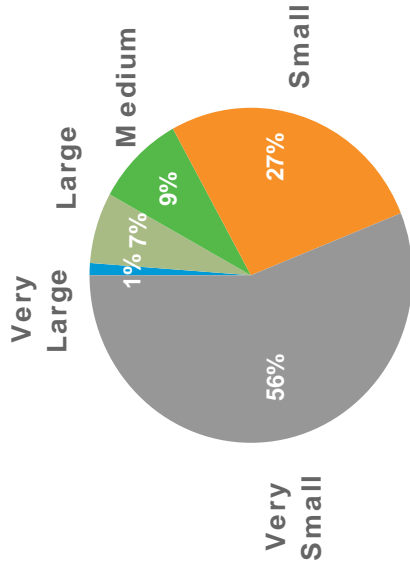
- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

Consolidation is Essential to Address Industry Challenges

Industry Fragmented Across Small Systems

[Number of U.S. Water Systems by Water System Size^{\(1\)}](#)

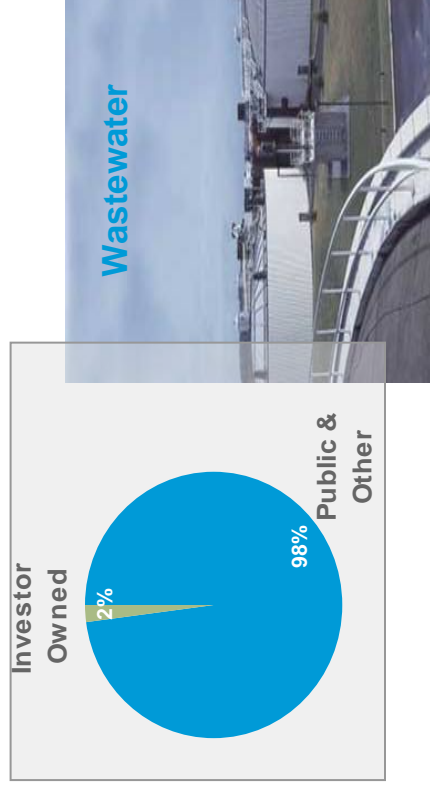
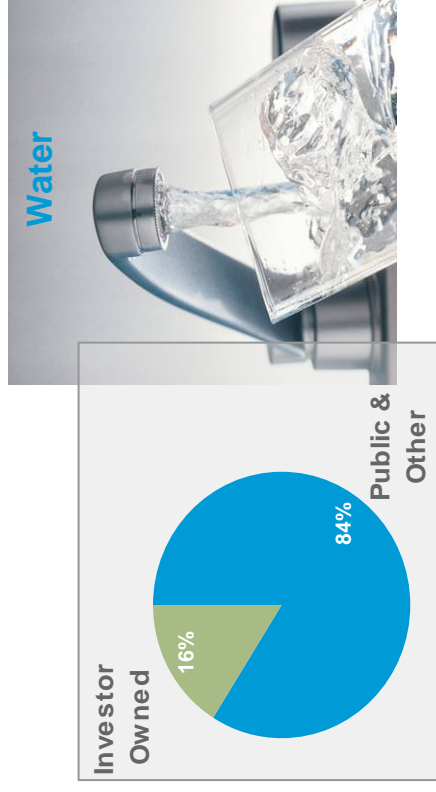


51,988 Water Systems

(1) Source: EPA, Drinking and Ground Water Statistics, 2008.

- Maintain quality and reliability
- Meet stringent EPA regulations
- Allocation priorities and limitations of capital for public / local systems

Limited Investor Ownership



The majority of water systems are owned by capital-constrained entities

Our Strategic Direction

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies

AWK Accomplishments in 2009: Executing on Our Strategy

- **Capital Invested**
 - Approximately \$0.4 billion in the 1H 2009

- **Rate Authorizations Granted**
 - \$17.7 million additional annual revenue granted in 1H 2009, including:
 - Kentucky \$10.3 million (general rate case) in 2009
 - West Virginia \$5.2 million (general rate case) in 2009
 - New Mexico \$1.2 million (general rate case) in 2009
 - California \$0.1 million (general rate case) in 2009
 - Infrastructure surcharges (Various States): \$14.1 million in 1H 2009
 - Averaging greater than 10% return on equity in rate orders received

- **Rate Cases Awaiting Final Order as of July 31, 2009**
 - \$258.1 million in additional annual revenue from 10 additional states

- **Growth**
 - Trenton, NJ “Tuck-in” acquisition in progress
 - Pine Hill, NJ, up to 210,000 gallons a day, 2,100-foot pipeline
 - Warren Township, NJ, three treatments plants and 17 pumping stations, population of more than 14,000
 - Laredo, TX, 50,000 gallon-per-day desalination pilot plant, Estimated population of 215,000



AMERICAN WATER

American Water Overview

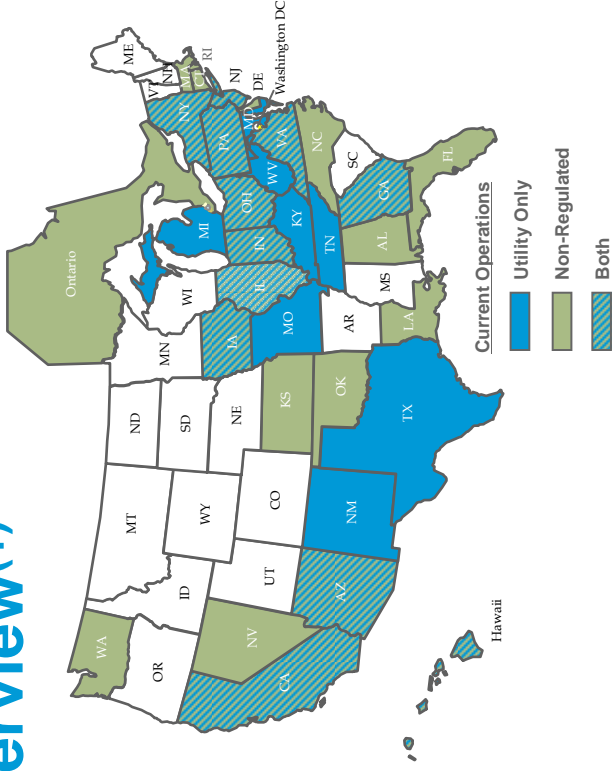
American Water Operations Overview⁽¹⁾

Regulated Businesses:

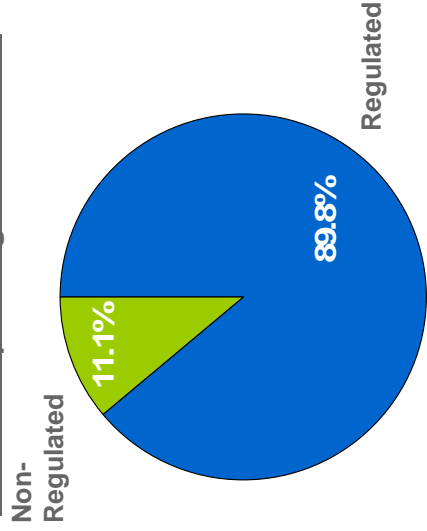
- \$2,159 mm in Revenues
- \$581 mm in Adjusted EBIT⁽²⁾
- Assets owned⁽³⁾
 - 48,000 miles of mains and collection pipes
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams

Non-Regulated Businesses:

- \$266 mm in Revenues
- \$27 mm in Adjusted EBIT⁽²⁾



LTM Net Operating Revenues⁽¹⁾



Net Operating Revenues: \$2.4 billion

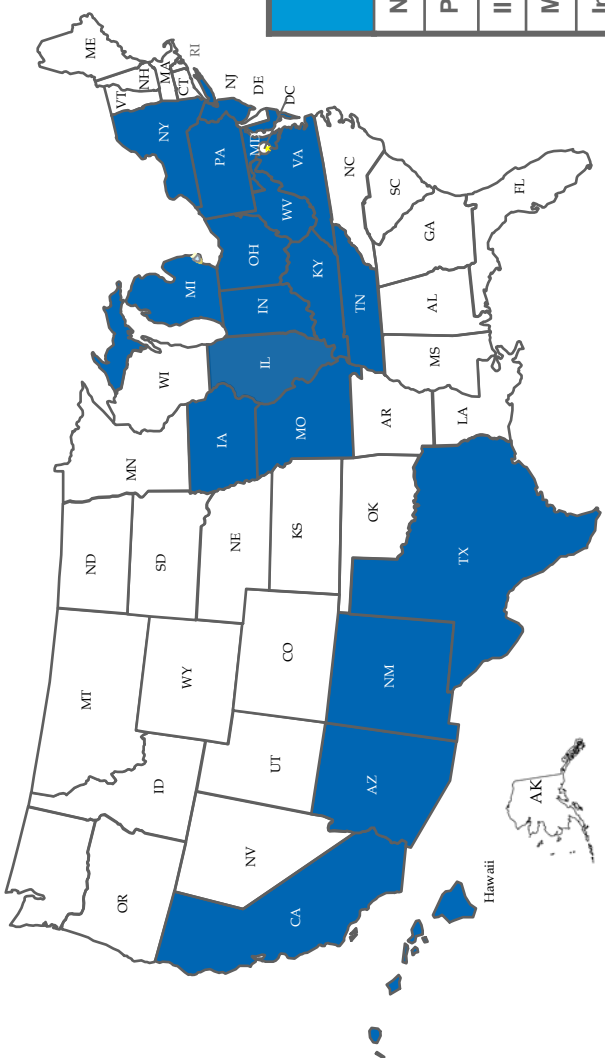
(1) Revenues and Adjusted EBIT are LTM as of June 30, 2009.

(2) Adjusted EBIT is a Non-GAAP financial measure. Please refer to the appendix for a reconciliation to US GAAP.

(3) Asset data shown is estimated as of December 31, 2008.



American Water's Regulated Presence



State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.

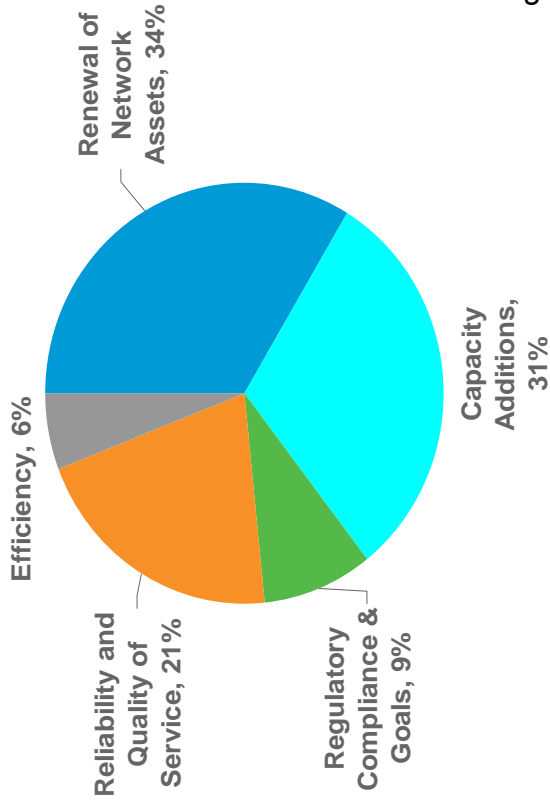
Regulation & Rate Setting Process

- **Role of regulation**
 - Protect consumers
 - Ensure utilities receive appropriate rate of return
- **Rates set by Public Utility Commissions in each state**
 - Rates set according to traditional rate base / rate of return policies
 - Rates are based on historical or future costs
 - Operating costs are passed through
 - Carrying costs (AFUDC) can be capitalized
- **Regulators moving toward policies which encourage needed investment**
 - Timely rate adjustment mechanisms for infrastructure replacement in Pennsylvania, Illinois, Indiana, Missouri, Ohio and New York
 - Infrastructure surcharges adjust periodically based on qualified capital expenditures being completed or anticipated in a future period
 - Future test years to set rates in California, Hawaii, Kentucky, Illinois, New York and Ohio
 - Pre-approval of capital expenditures
 - Consolidation of troubled water and wastewater systems
- **Rate setting process allows consumer and intervener involvement**

Overview of Capital Expenditures

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



Projected Net Capex⁽¹⁾ of \$4.0 - \$4.5 billion (2009-2013)

(1) Net capex defined as gross capex less advances and contributions in aid of construction.

General Rate Cases Awaiting Final Order as of July 31, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>
Hawaii **	2007-0180	11/1/2007	\$1.3	10.60%	\$24.9
Texas *	2008-0910-UCR	2/21/2008	\$0.9	12.00%	\$6.7
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	\$203.3
California *** (multiple)	A 09-01-013	1/23/2009	\$32.7	10.20%	\$215.8
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	\$1,861.3
Iowa ****	RPU-09-TBD	4/30/2009	\$9.4	12.20%	\$86.7
Indiana	43680	4/30/2009	\$46.9	12.00%	\$670.5
Maryland	TBD	4/30/2009	\$0.8	11.75%	\$11.8
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	\$74.8
Illinois	09-TBD	5/29/2009	\$58.6	12.25%	\$610.3
Arizona (multiple)	TBD	7/2/2009	\$20.6	12.25%	\$220.4

* Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.
 ** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.
 *** Calif. Rate increase amount includes test year (2010) increase of \$26.1 million, and staged increase of \$6.6m effective in escalation year of 2011.
 **** Interim rates for Iowa implemented (\$6.8m add'l annual revenues) during July, and will be adjusted upon issuance of final order from commission.

Rate Case Summary

Rate Cases Finalized in 2008 and 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed / Approved)</u>
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (multiple)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM* (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan	N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
Calif (Monterey Water)	A 08-01-027, 024	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California (Monterey WW)	A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California (Gen Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A

- Infrastructure charges granted January 1, 2008 through June 30, 2009 of \$32.7 million
- Infrastructure charges granted in July 2009 of \$6.9 million
- Infrastructure charges were finalized in 2009 which will provide annual revenue of \$21.0 million

Our Non-Regulated Businesses: A Complement to Core Competencies



Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA

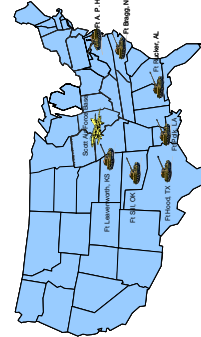


Contract Operations

- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

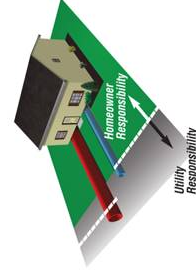
*Includes 15 AWM projects

**Includes 228 AWM projects



Military Bases Privatization

- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Scott Air Force Base, IL



Homeowner Services

- Over 720,000 contracts
- 16 states

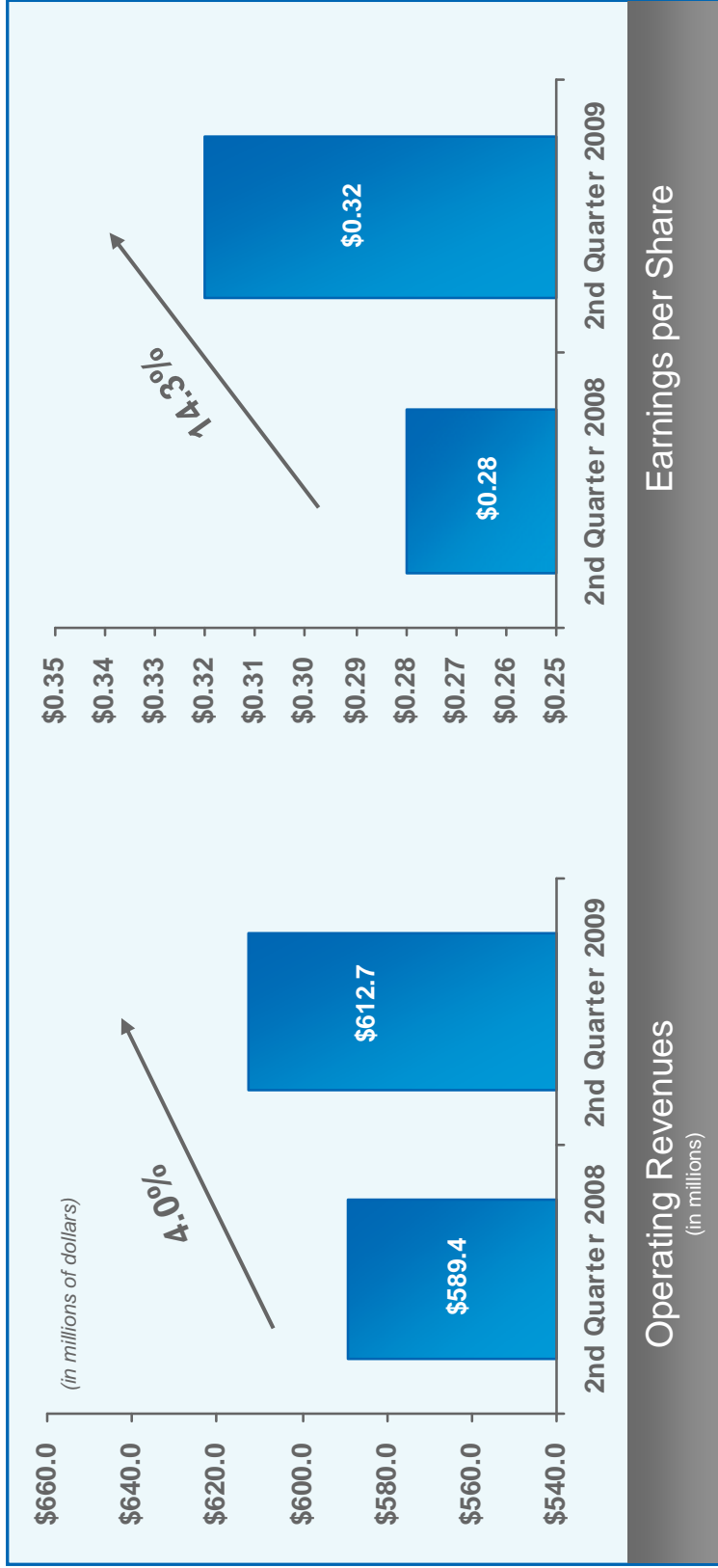
For LTM (as of June 30, 2009), AWK reported \$265.8 million of Non-Reg operating revenues



AMERICAN WATER

2Q 2009 Financial Update

2009 Second Quarter Financial Highlights



Operating revenues increased by \$23.3 million, driven by:

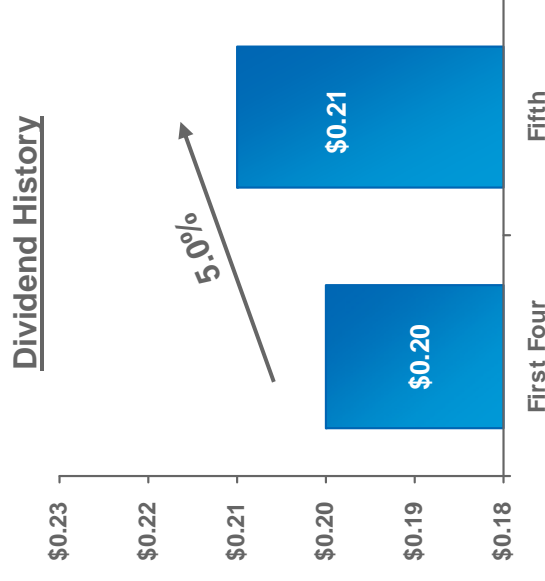
- \$46.5 million impact from rate increases
- Offset by \$24 million lower demand

Net income of \$52.0 million or \$0.32 per share driven by:

- Top-line growth

Dividends Paid – Return on Shareholder Investment

- **Declared five quarterly dividends since IPO**
 - Declared and paid four dividends
 - Declared fifth dividend of \$0.21 per share on July 31 to pay out September 1, 2009
- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
 - Subject to approval by American Water’s Board of Directors
- **Committed to meeting shareholders’ expectations**



Attractive Risk-Adjusted Total Return Story

- Long-term EPS growth:
 - Rate increases to earn allowed ROEs
 - Appropriate capital investment/higher rate base
 - “Regulated-like” opportunities provide additional upside potential
- **Annualized quarterly dividends of \$0.84 per share**
 - Stable earnings and operating cash flows support dividend
 - Expected to grow with higher earnings
 - Target dividend policy of 50% - 70% of net income annually
- **American Water is committed to meeting shareholders’ expectations, a solid investment grade rating and targeted capital structure with a long-term total debt ratio of approximately 50% – 55%**

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
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appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

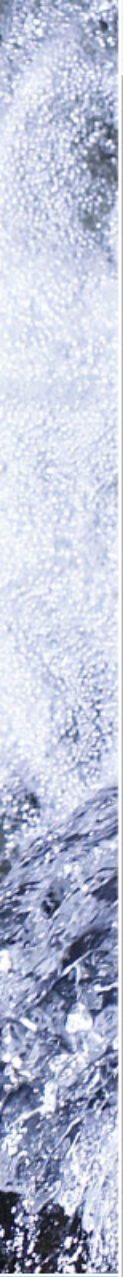
Proven Management

*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
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AWK
LISTED
NYSE

WE CARE ABOUT WATER. IT'S WHAT WE DO.





AMERICAN WATER

Appendix

American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

US Water Industry faces complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ■ Replacement of Infrastructure 	<ul style="list-style-type: none"> ■ Full cost recovery ■ Scale driven efficiency ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ■ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ■ Water Supply 	<ul style="list-style-type: none"> ■ Conservation ■ Reuse ■ Desalination ■ Total water management ■ Leak Technology/AMR
<ul style="list-style-type: none"> ■ Fragmentation 	<ul style="list-style-type: none"> ■ Economies of scale ■ Operational Efficiencies Through Consolidation ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Funding for needed investments 	<ul style="list-style-type: none"> ■ Low interest financing ■ Federal Funding ■ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ■ Sound Stewardship 	<ul style="list-style-type: none"> ■ Consolidation ■ Public-Private Partnerships ■ Transparency

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

Impact of the Economic Crisis on U.S. Municipalities

Loss of jobs/Loss of economic development and growth

Limited access to operating cash/expensive short-term borrowing

Access to Credit Denied/Delayed/Costly
– capital projects delayed

Lost Values in Pension Funds and 401K retirement accounts

Foreclosures and Housing Values
= lost property tax revenue

Expanded focus on Public Private Partnerships

How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy's productive capacity
- Investment in water and sewer infrastructure yields positive returns.
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35 *
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year *
- Adding one job in water and sewer creates 3.68 jobs additional jobs in the national economy *
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*

Adjusted EBITDA Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	6,859
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	285,155
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(14,497)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$869,263
						\$904,483

Adjusted Net Income Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$194,048
						\$209,901

Adjusted Earnings Per Share Reconciliation

	Historical							
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009
Net Income (Loss) from Continuing Operations Adjustments	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$562,421)	(\$413,079)	\$51,989
Add: Impairment charges	509,345	750,000	0	0	0	750,000	450,000	
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(11,525)	(6,976)	
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054	29,945	51,989
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10	\$0.19	\$0.32

Adjusted EBIT Reconciliation

(\$ in Thousands)

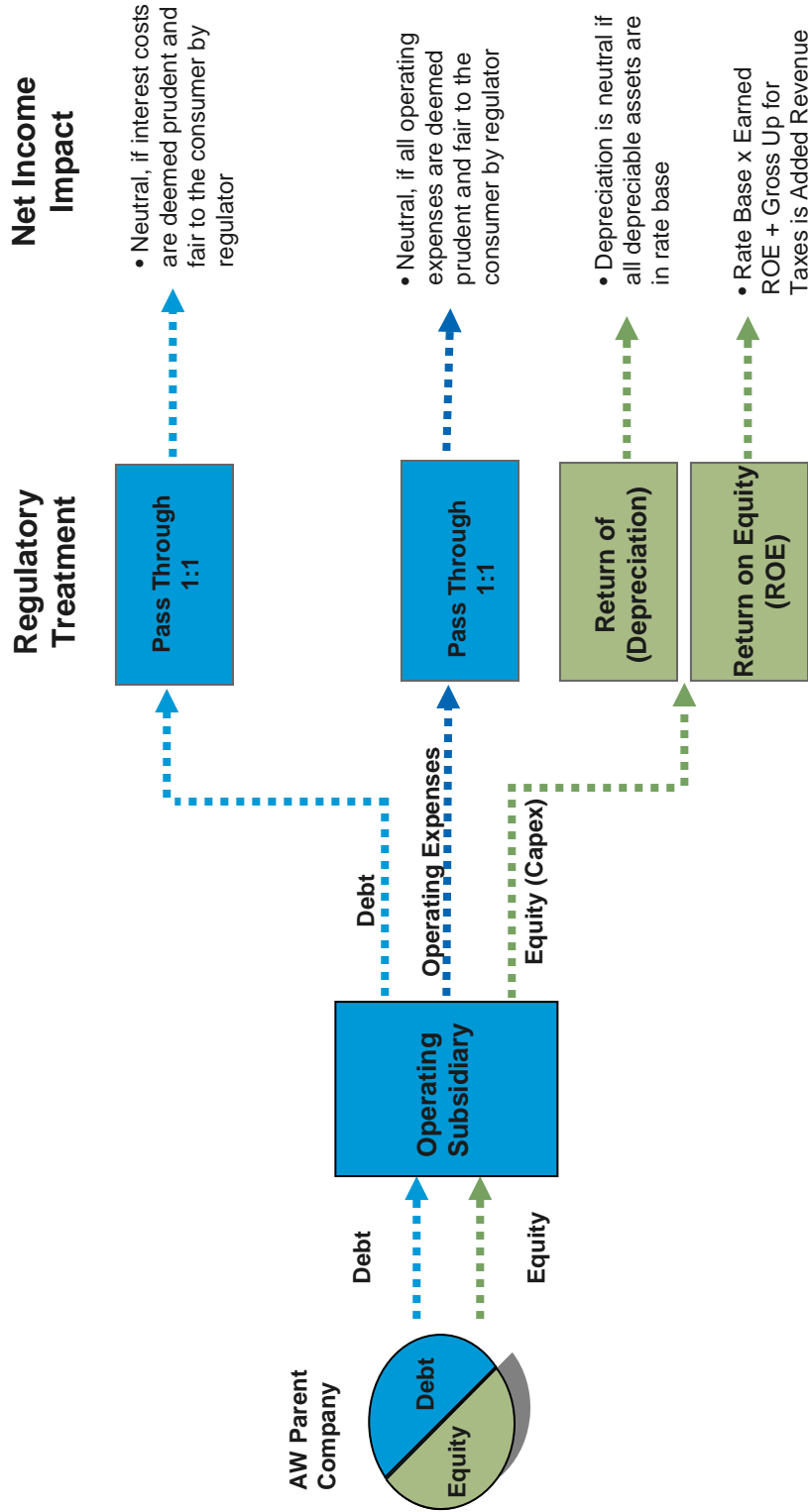
	LTM		
	Regulated	Un-regulated	Consolidated
Income before taxes	\$0	\$0	(\$106,054)
Other	0	0	7,598
Interest, net	0	0	(64,679)
Impairment charges	0	0	(450,000)
Segment Income	370,610	30,417	401,027
Amortization of Debt expense	5,331	0	5,331
Preferred Dividends	225	0	225
Interest, net	229,380	(3,271)	226,109
Allowance for borrowed funds during construction	(8,941)	0	(8,941)
Allowance for other funds during construction	(15,487)	0	(15,487)
Adjusted EBIT	\$581,118	\$27,146	\$608,264

Completed Debt Financings Since September 2008

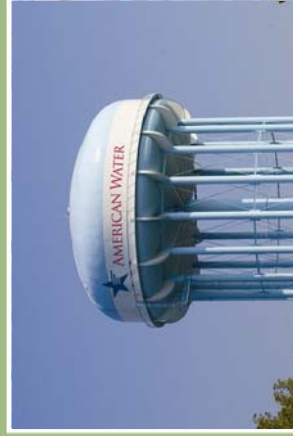
	Borrower	Underwriter	Coupon	Tenure	Status	Date
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	4-Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.20%	30 Years	Completed	8-Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13-May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9M Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May
\$45.39M Tax-Exempt Unsecured Note	AWCC	Morgan Stanley/Ross Sinclair	6.25%	30 Years	Completed	23-Jun

* Actual Investors.

How is Net Income generated in Rate of Return Regulation?



If all assets are included in the company's Rate Base and all operating expenses are deemed prudent and recoverable by the regulator, then the company earns its allowed ROE, assuming no regulatory lag between rate cases



AMERICAN WATER

Philadelphia Securities Association

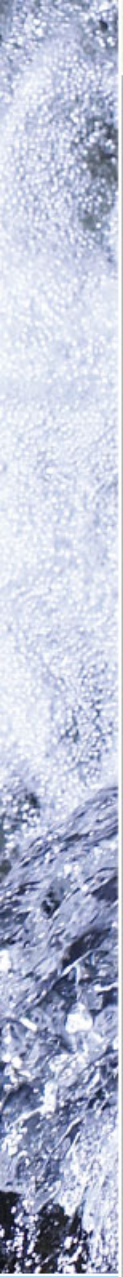
June 2009

Cautionary statement concerning forward-looking statements

Statements in this release that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s SEC filings, including the information in Item 1A - “Risk Factors” in American Water’s Annual Report on Form 10-K for the year ended December 31, 2008.

The Company undertakes no duty to update any forward-looking statement.



Management Team

Don Correll

President & Chief Executive Officer

Utility Industry Tenure: 30 years

Ellen Wolf

Senior Vice President & Chief Financial Officer

Utility Industry Tenure: 20 years

Ed Vallejo

Vice President of Investor Relations

Utility Industry Tenure: 13 years



AMERICAN WATER

Don Correll

President and Chief Executive Officer

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

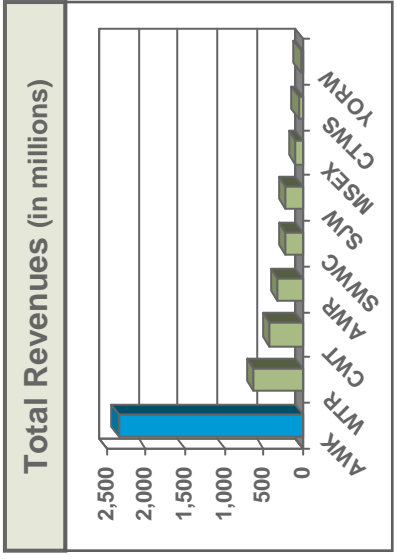
*of water utility industry with
supportive regulatory
environment*

Proven Management

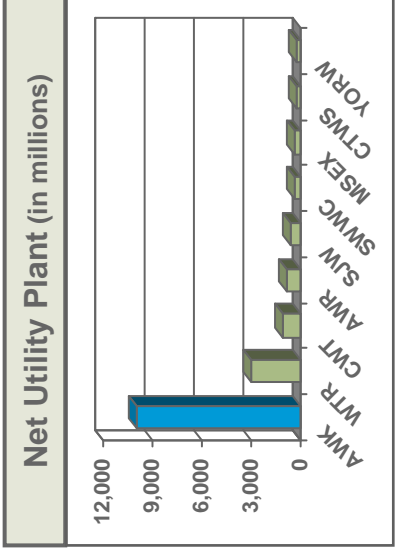
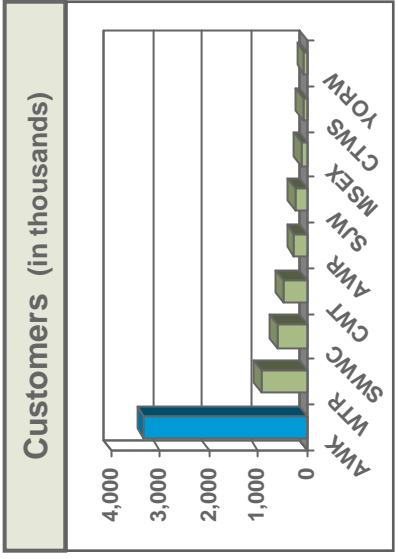
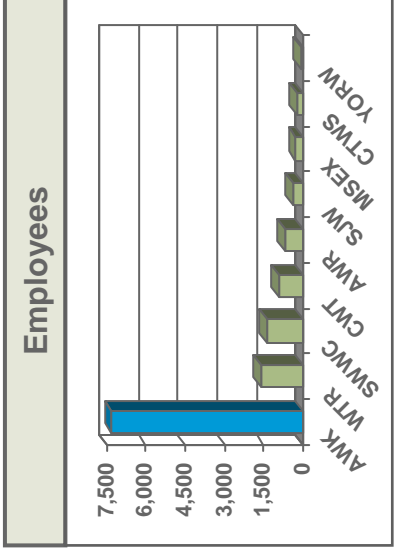
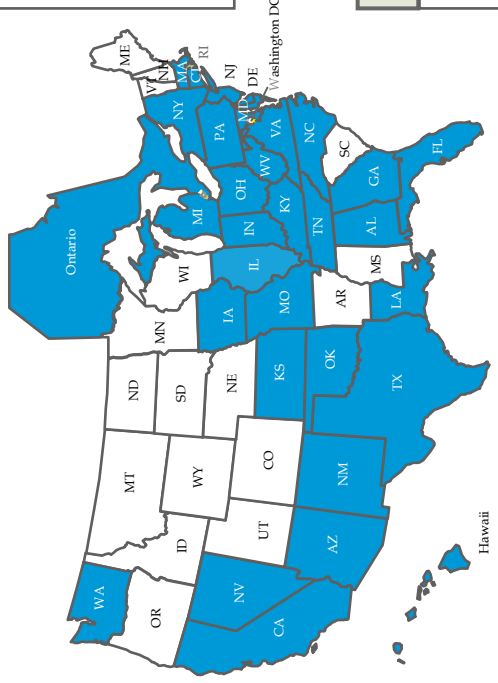
*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*

The Largest Water Services Provider in North America



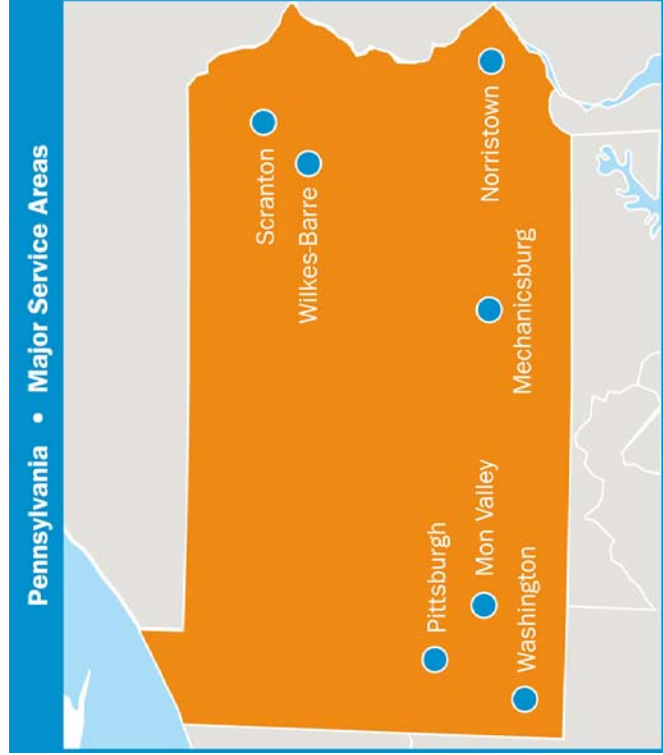
American Water's National Presence



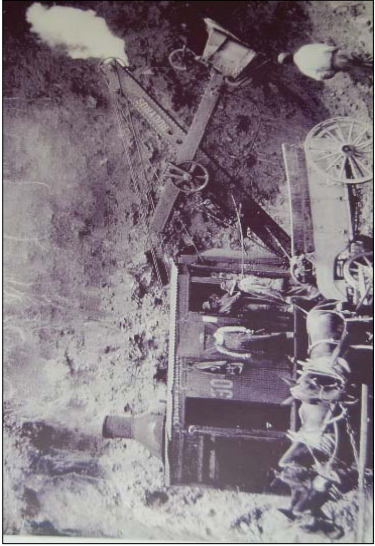
Note: All data is as of December 31, 2008.

American Water's Strong Regional Presence in 2008

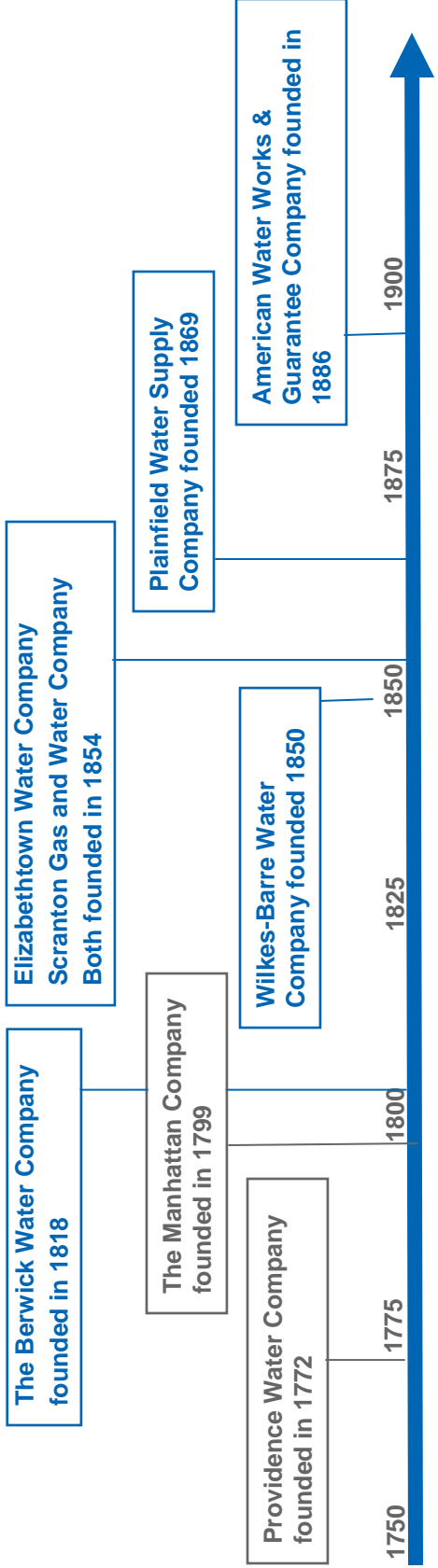
State	Revenues	Customers
■ Pennsylvania	\$449.7 million	648,958 customers
■ New Jersey	\$517.7 million	643,330 customers



Private Water Utilities and the American Water Story



Watermain work in Pennsylvania, in the early 1900's



Private vs. Public – A Historical Look

Drivers behind Municipalization - 1800 to mid 1900s

- Federal Grants
- Tax Free government debt
- Regional Growth
- Health Reasons
- Fire Protection
- Politics
- Local control

Year	Public	Private	Total	% Private
1800	1	15	16	94%
1850	33	50	83	60%
1900	1,690	1,489	3,179	47%
1950	20,250	13,950	34,200	41%

Drivers behind Resurgence of Private Companies – late 1900's

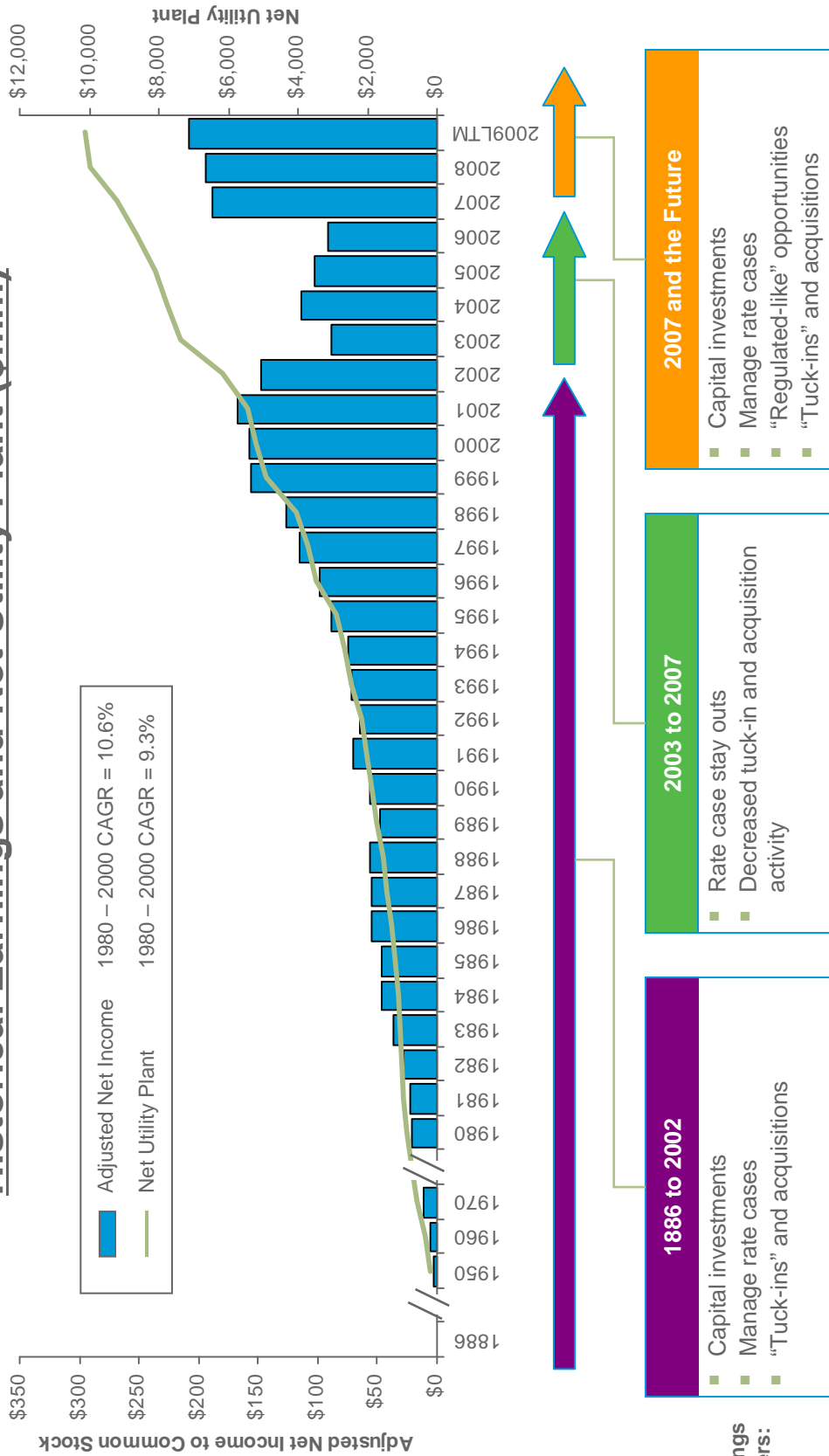
- Population Growth
- Small community development

Year	Public	Private	Total	% Private
1975	19,390	15,240	34,630	44%
1995	22,600	34,000	56,600	60%

Source: The Water Business – Leonard S. Wyman, 1998

The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



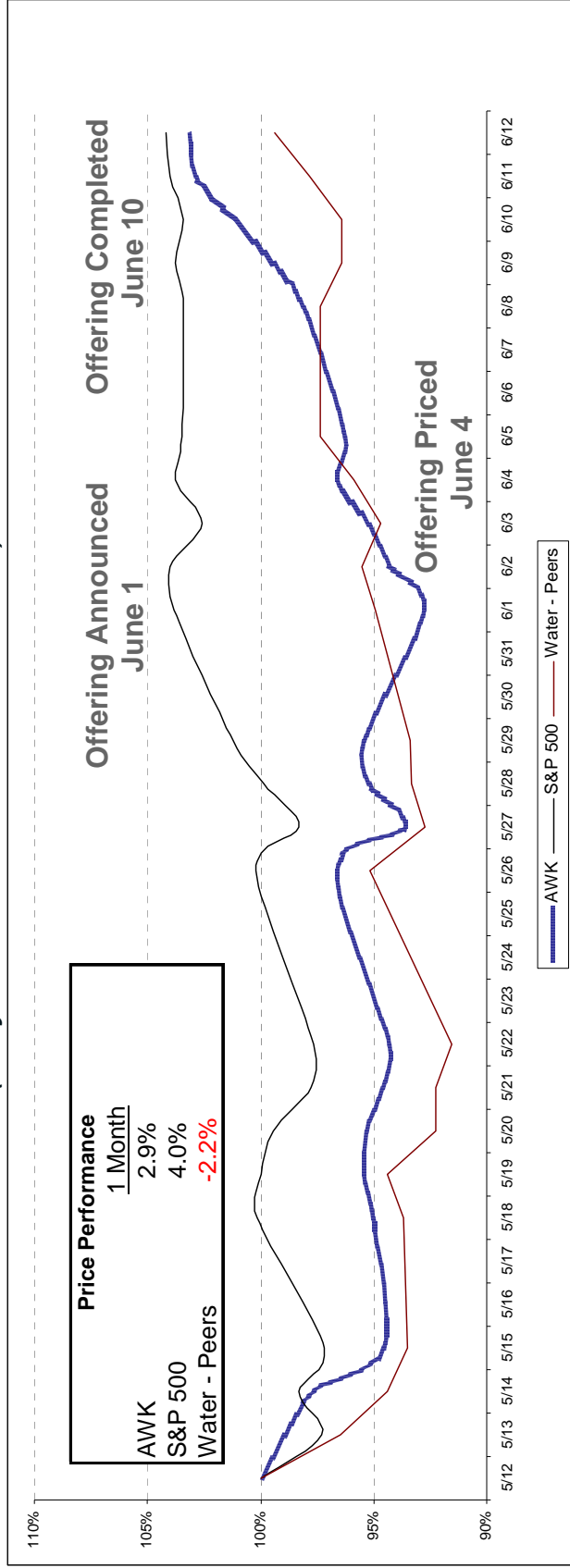
Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E*Town included from 2003 onward. NEI included from 1999 onward.

June 2009 Equity Offering

- Completed public offering of 29.9 million shares of common stock at \$17.25 per share
- AWK issued 14.5 million shares
- Selling stockholder sold 15.4 million, including shares sold prior to the over-allotment option

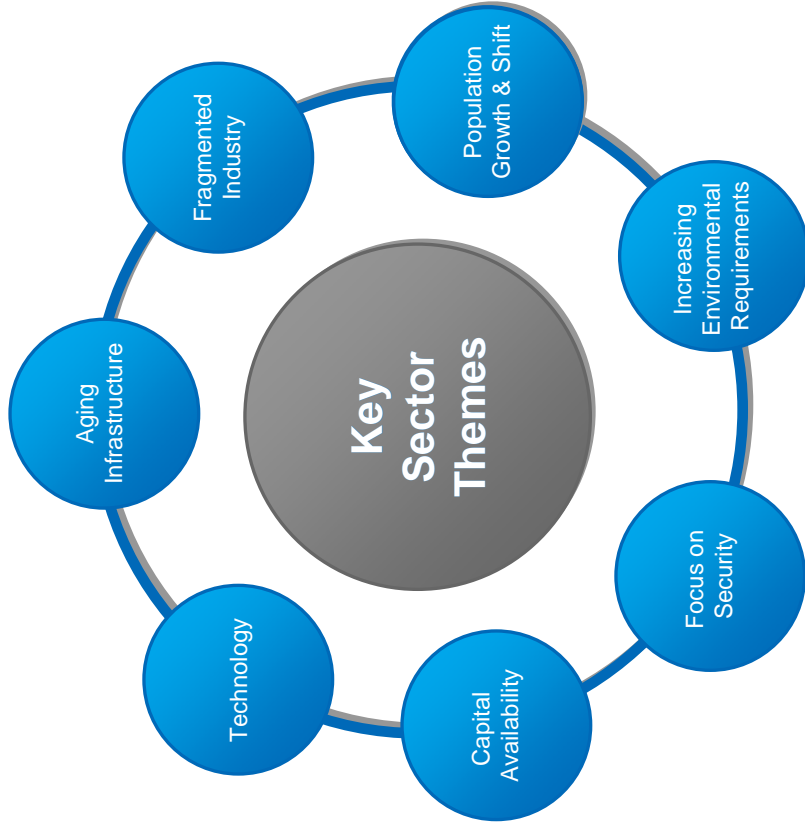
American Water Market Performance

(May 12, 2009 – June 12, 2009)



Water Peers: WTR CWT AWR SJW SWWC MSEX CTWS YORW

Water Industry Poised for Significant Growth



American Water Opportunities

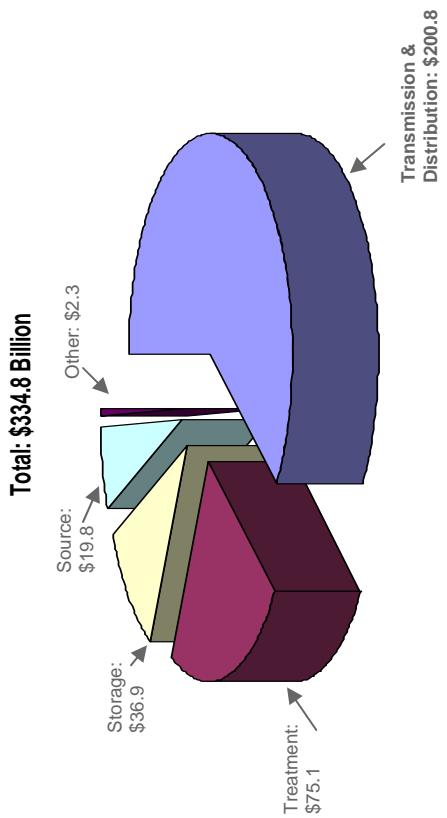
- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

Water industry structure favors large players and American Water is best positioned to lead

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

REPORT CARD ON AMERICA'S INFRASTRUCTURE

★ HOME ★ REPORT CARDS ★ STATES ★ CATEGORIES ★ SOLUTIONS ★ TAKE ACTION ★ NEWSROOM ★

SEARCH

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

2009 GRADE: D-

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

2009 GRADE: D-

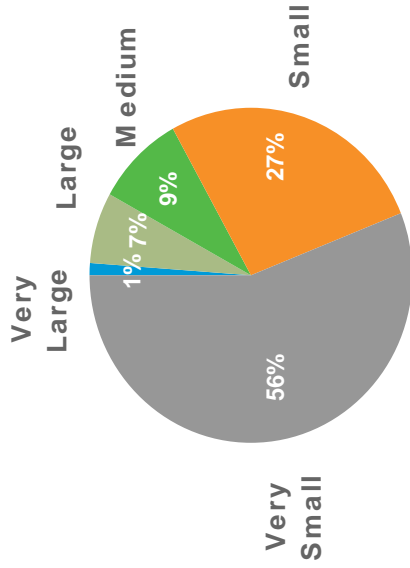
- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

Consolidation is Essential to Address Industry Challenges

Industry Fragmented Across Small Systems

[Number of U.S. Water Systems by Water System Size^{\(1\)}](#)

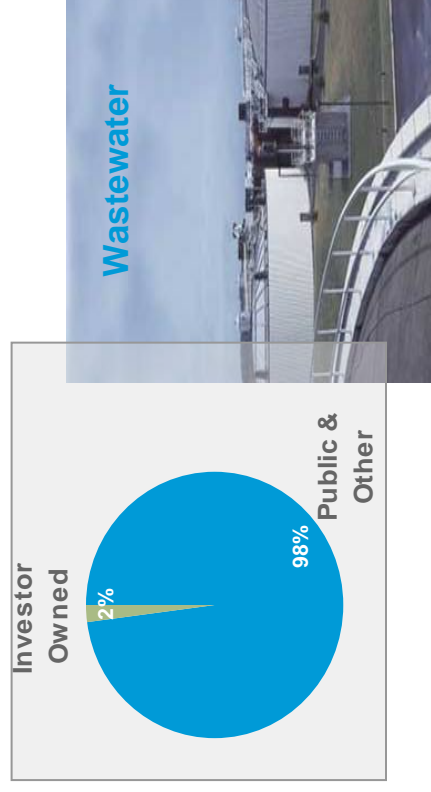
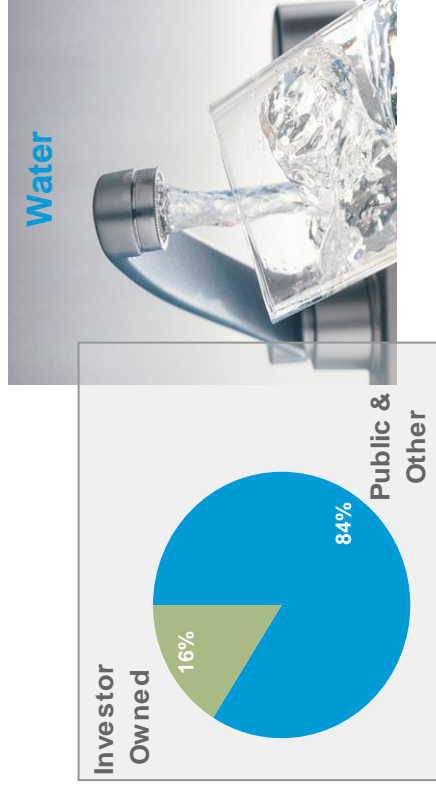


51,988 Water Systems

(1) Source: EPA, Drinking and Ground Water Statistics, 2008.

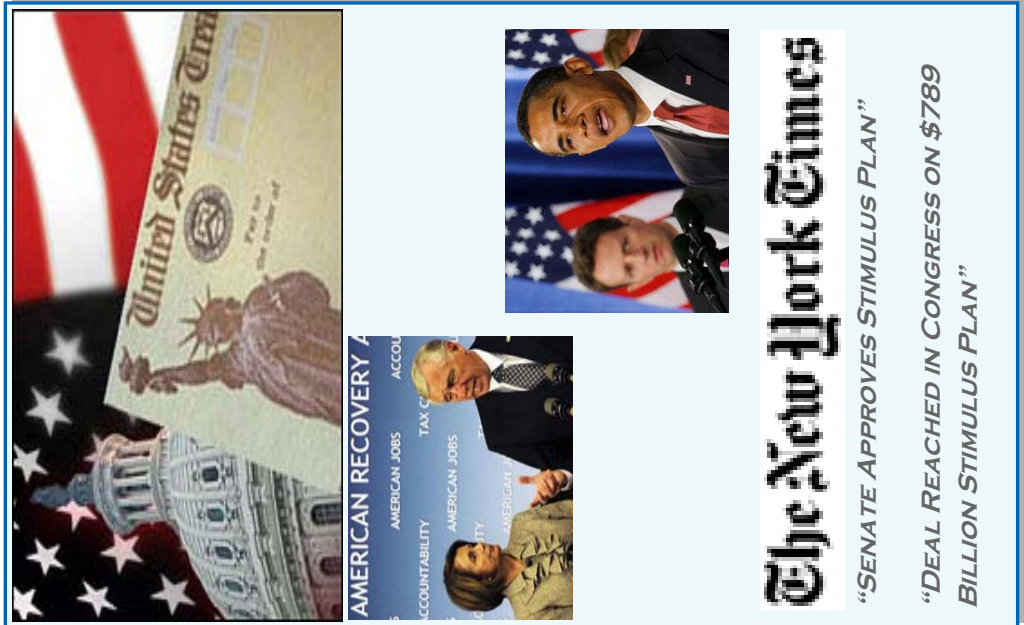
- Maintain quality and reliability
- Meet stringent EPA regulations
- Allocation priorities and limitations of capital for public / local systems

Limited Investor Ownership



The majority of water systems are owned by capital-constrained entities

The 2009 Stimulus Act – Opportunities for American Water



\$789 Billion
Total Stimulus Package

\$21 Billion
Total for Water Infrastructure

- \$6 Billion for drinking water and wastewater infrastructure improvements
- \$15 Billion increase in Private Activity Bond cap

Opportunities for American Water

Increased Business Development Opportunities

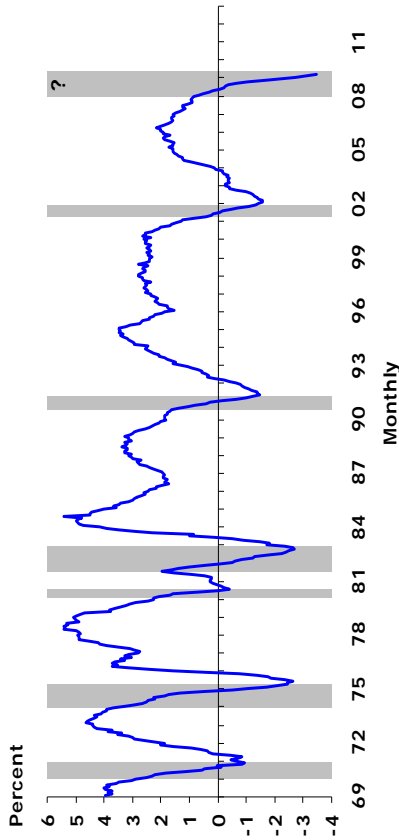
- Collaborate with municipalities on infrastructure projects
- Encourage municipalities to upgrade community water systems

Cash Flow Benefits

- * Bonus Depreciation Extension
- * AMT Repeal on tax exempt bonds

Reflecting recession effects, Payroll Employment and State and Local Government Balances have fallen dramatically

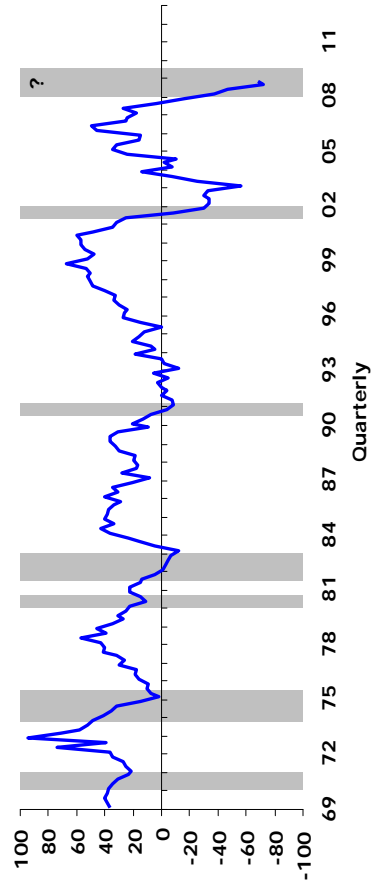
U.S. Payroll Employment
(Percent Change From Same Month of Prior Year)



- Payroll employment fell by 3.5% in March, compared to the same month last year
- Job growth is most important factor in consumer spending, the single biggest portion of U.S. GDP

Shaded Area = Recession.
Sources: U.S. Dept. of Labor, Bureau of Labor Statistics (data), National Bureau of Economic Research (recession dates).

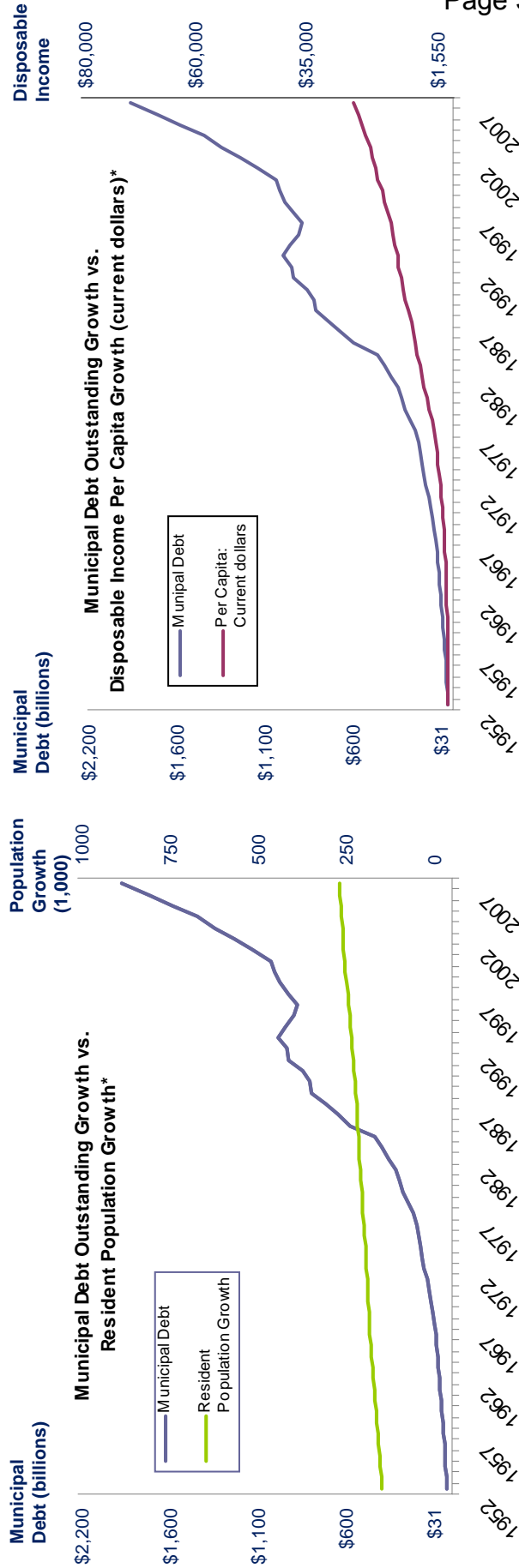
State & Local Government Budget Balances
(Current Receipts Minus Current Spending)



- Job related weakness has affected consumer income and spending to cause an unusually sharp increase in real estate and budget deficits last year
- Largest recorded percentage drop in 50 years

Shaded Area = Recession. Deflated to year 2000
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates)

Growth in Municipal Debt Has Far Outpaced both Population Growth and Disposable Income



Since 1952, municipal debt has significantly exceeded population growth levels

At the same time, municipal debt has grown close to 3.5x disposable income levels

- All data has been indexed from 1952
- Source: U.S. Census Bureau

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

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**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*

Our Strategic Direction

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies



AMERICAN WATER

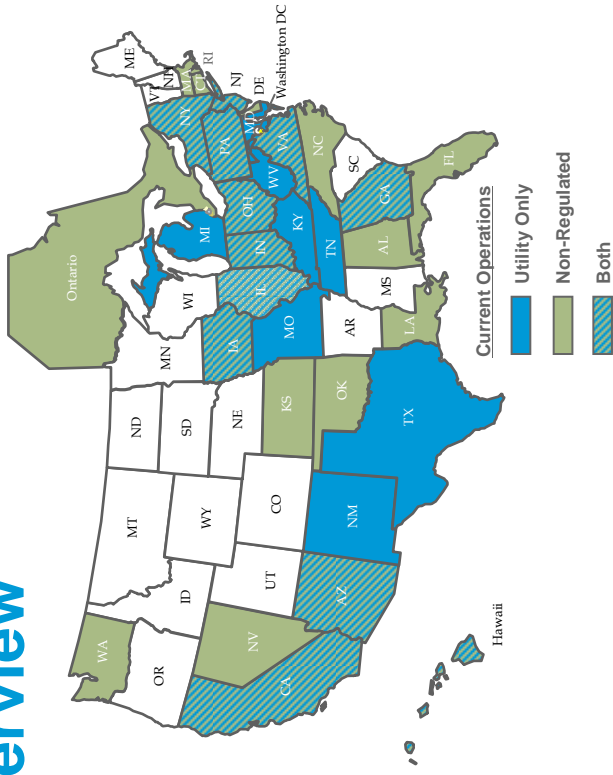
Ellen Wolf

Senior Vice President and Chief Financial Officer

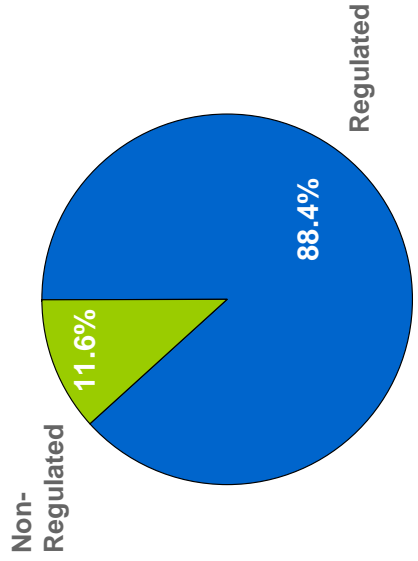
American Water Operations Overview

- Regulated Businesses
- Non-Regulated Businesses

American Water serves approximately 5% of the U.S. population



2008 Total Operating Revenues ⁽¹⁾

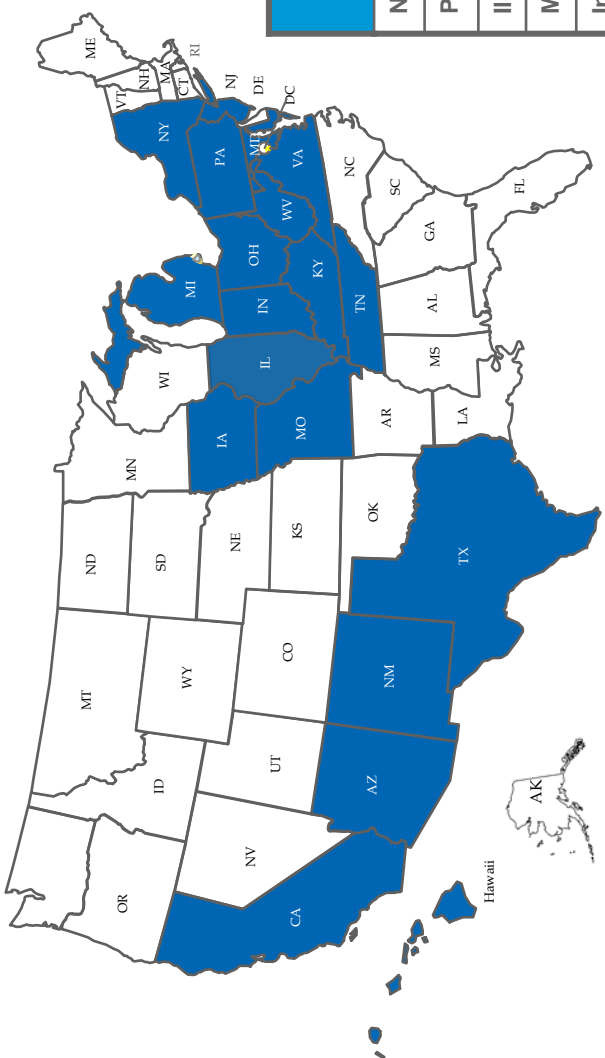


Net Operating Revenues: \$2.3 billion

Note: Percentages account for inter-segment eliminations.



American Water's Regulated Presence



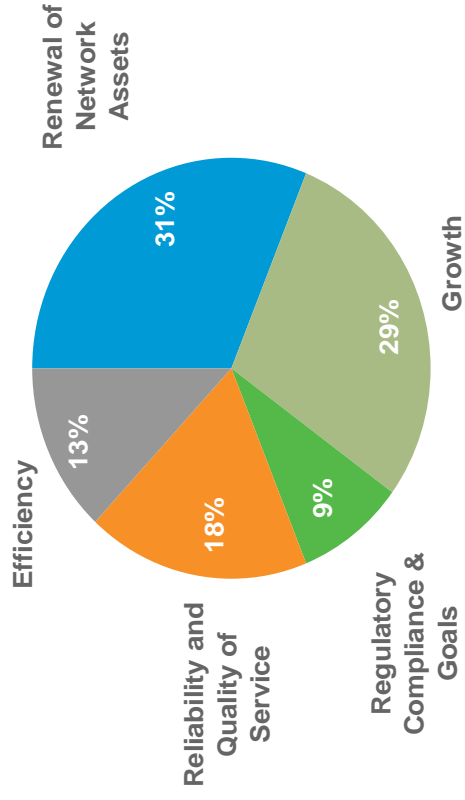
State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.

Overview of Capital Expenditures

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



**Projected Net Capex⁽¹⁾ of
\$4.0 - \$4.5 billion (2009-2013)**

(1) Net capex defined as gross capex less advances and contributions in aid of construction.

Continue to Deliver on Investment and Rate Case Strategy



- Infrastructure charges 2009 year to date of \$12.8 million allowed in Arizona, Indiana, New York and Pennsylvania
- As of June 2, 2009: \$281.0 million total rate cases awaiting final order
- AWK subsidiaries have received authorized ROEs in the range of 8.8% to 10.9% from rate orders during the last year

Our Non-Regulated Businesses: A Complement to Core Competencies

Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA

Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA



Contract Operations

- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

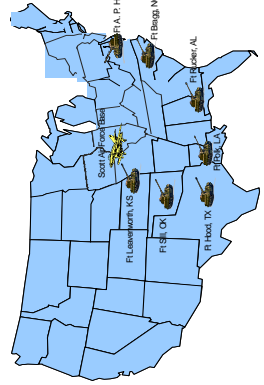


*Includes 15 AWM projects

**Includes 228 AWM projects

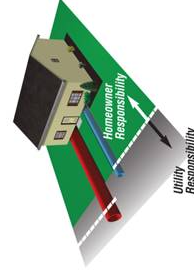
Military Bases Privatization

- Fort Leavenworth, KS
- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Scott Air Force Base, IL
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA



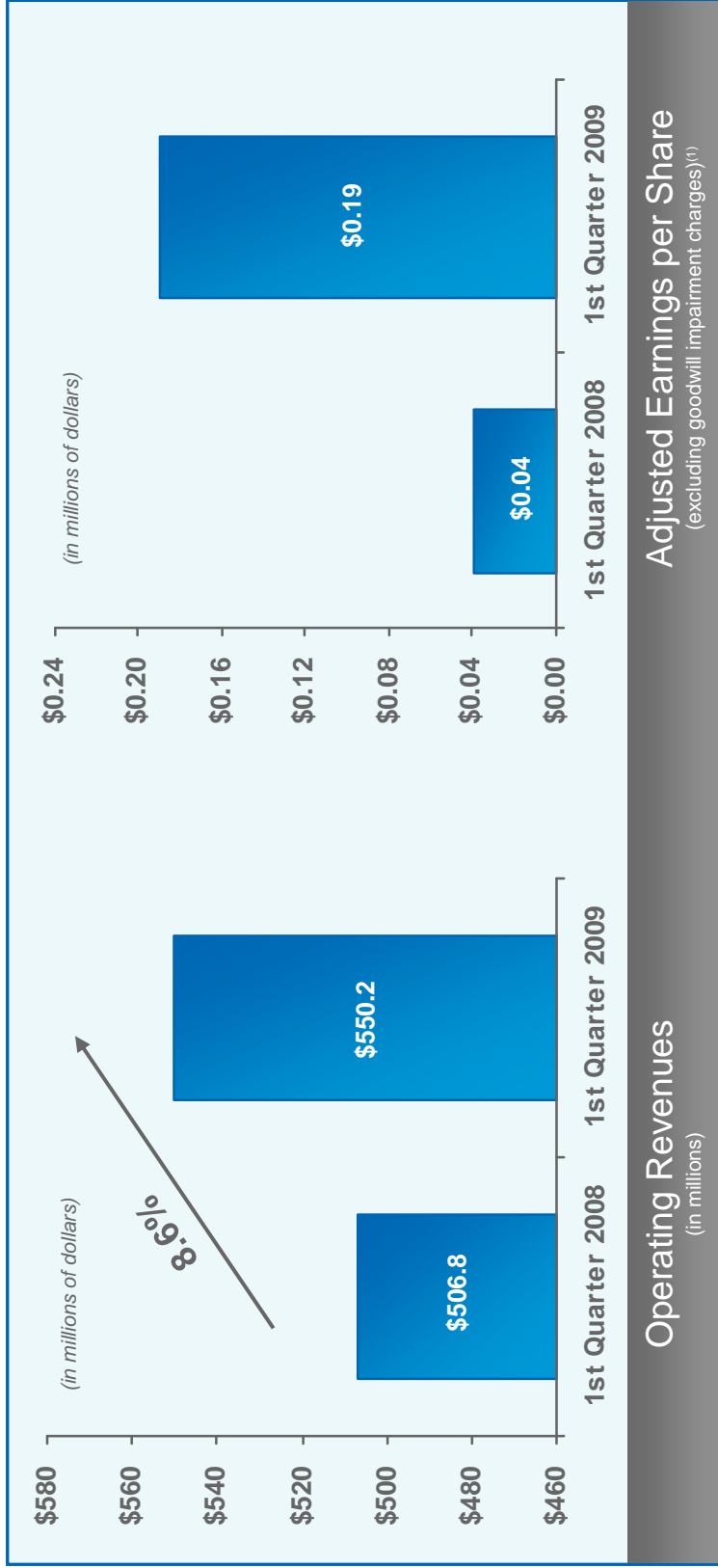
Homeowner Services

- Over 710,000 contracts
- 16 states



**In 2008, AWK reported \$272.2 million of
Non-Reg operating revenues**

2009 First Quarter Financial Highlights



Operating revenues increased by \$43.4 million

- \$43.5 million impact from rate increases
- \$3.7 million in surcharge and balancing account
- Offset by \$2 million lower demand

Earnings per Share (including goodwill impairment charges)

- 1st Quarter 2008: \$(4.58)/share
- 1st Quarter 2009: \$(2.58)/share

(1) Non-GAAP Financial Measure. Please refer to the appendix for a reconciliation to US GAAP.

Attractive Risk-Adjusted Total Return Story

- Long-term EPS growth:
 - Rate increases to earn allowed ROEs
 - Appropriate capital investment/higher rate base
 - “Regulated-like” opportunities provide additional upside potential
- Annualized dividends of \$0.80 per share (4.6% yield as of May 29, 2009)
- Stable earnings and operating cash flows support dividend
- Expected to grow with higher earnings
 - Target dividend policy of 50% - 70% of net income annually
- American Water is committed to meeting shareholders’ expectations, a solid investment grade rating and targeted capital structure with a long-term total debt ratio of approximately 50% – 55%

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

*of water utility industry with
supportive regulatory
environment*

Proven Management

*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
with a Compelling Dividend Yield and Growth Outlook*



**WE CARE ABOUT WATER.
IT'S WHAT WE DO.**

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AMERICAN WATER

Appendix

Adjusted EBITDA Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$243,016)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	450,000
SOX Implementation Costs	0	0	0	15,400	32,002	3,471
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	3,906
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	5,524
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	287,166
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(15,299)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$892,055

Adjusted Net Income Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$243,016)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	443,024
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	3,314
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$207,749

Adjusted Earnings Per Share Reconciliation

	Historical					Q1 2009
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	
(\$ in Thousands, except per share data)						
Net Income (Loss) from Continuing Operations	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$413,079)
Adjustments						
Add: Impairment charges	509,345	750,000	0	0	0	450,000
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(6,976)
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	29,945
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$0.19
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$0.19

Rate Case Summary

Rate Cases Finalized in 2008 and 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed / Approved)</u>
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island *	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc) **	07-01-036.037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia ***	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey ****	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM* (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/14/2009	10.30%	\$1.6	\$15.1

- Infrastructure charges January 1, 2008 through March 31, 2009 of \$25.2 million
- Infrastructure charges through April 30, 2009 of \$31.4 million
- Surcharges were finalized in 2009 which will provide annual revenue of \$12.8 million

General Rate Cases Awaiting Final order as of May 31, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed / Approved)</u>
Hawaii ***	2007-0180	11/1/2007	\$1.3	10.60%	TBD	TBD	TBD	\$24.9
Texas **	2008-0910-UCR	2/21/2008	\$0.9	12.00%	TBD	TBD	TBD	\$6.7
California * (Monterey)	A 08-01-023, 027	1/30/2008	\$37.1	11.50%	TBD	TBD	TBD	TBD
California * (General Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	TBD	TBD	TBD	TBD
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	TBD	TBD	TBD	TBD
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	TBD	TBD	TBD	\$203.3
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	TBD	TBD	TBD	\$305.5
California **** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	TBD	TBD	TBD	\$215.8
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	TBD	TBD	TBD	\$1,861.3
Iowa	RPU-09-TBD	4/30/2009	\$9.4	12.20%	TBD	TBD	TBD	\$86.7
Indiana	43680	4/30/2009	\$46.9	12.00%	TBD	TBD	TBD	\$670.5
Maryland	TBD	4/30/2009	\$0.8	11.75%	TBD	TBD	TBD	\$11.8
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	TBD	TBD	TBD	\$74.8
Illinois	09-TBD	5/29/2009	\$58.6	12.25%	TBD	TBD	TBD	\$610.3
			\$302.3					

* Calif. Rate increase amount includes staged increases of \$7.2m effective in 2010, and \$8.1m effective 2011.

** Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.

*** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.

**** Calif. Rate increase amount includes test year (2010) increase of \$26.1 m, and staged increase of \$6.6m effective in escalation year of 2011.



AMERICAN WATER

Ellen Wolf
Senior Vice President and
Chief Financial Officer

2009 Macquarie Global Infrastructure
Conference

Disclaimer

American Water Works Company, Inc (“the Company”) has filed a registration statement (including a prospectus and a prospectus supplement) with the SEC for the offering to which this presentation relates. Before you invest, you should read the prospectus, the prospectus supplement and other documents the Company has filed with the SEC for more complete information about the Company and this offering. You may get these documents free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, the Company, any of the underwriters or any dealer participating in the offering will arrange to send you the prospectus and the prospectus supplement.

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the Company’s current expectations and beliefs, as well as a number of assumptions concerning future events. These statements are subject to risks, uncertainties, assumptions and other important factors set forth or incorporated by reference in the prospectus supplement for this offering and under Item 1A in the Company’s most recent Annual Report (including those detailed under the headings “Risk Factors” and “Forward-Looking Statements”), many of which are outside the Company’s control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements because actual results may vary materially from those expressed or implied. All forward-looking statements are based on information available to the Company on this date and the Company assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not permitted by law or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Key Investment Highlights

Recognized Market Leader

*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth

*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile

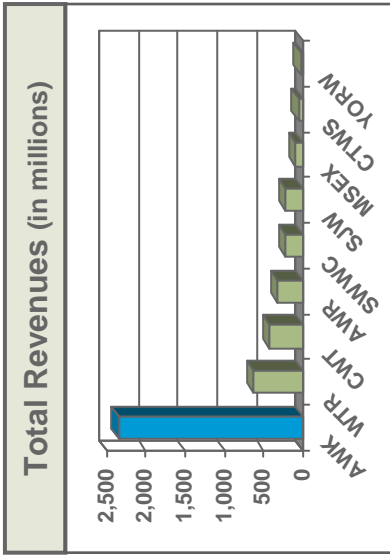
*of water utility industry with
supportive regulatory
environment*

Proven Management

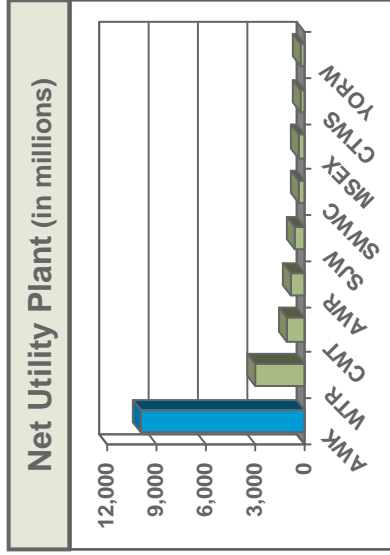
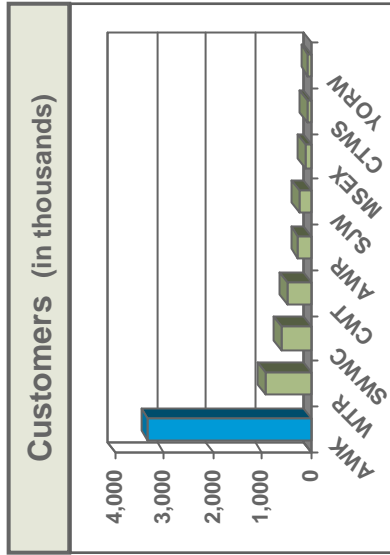
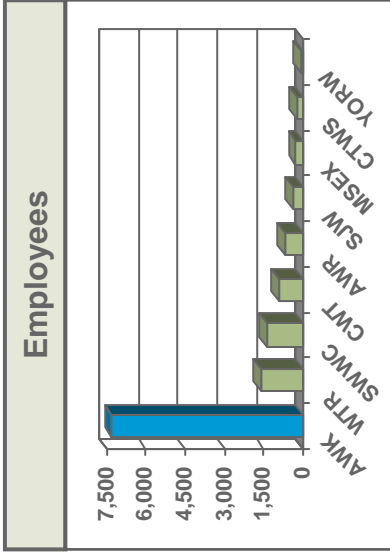
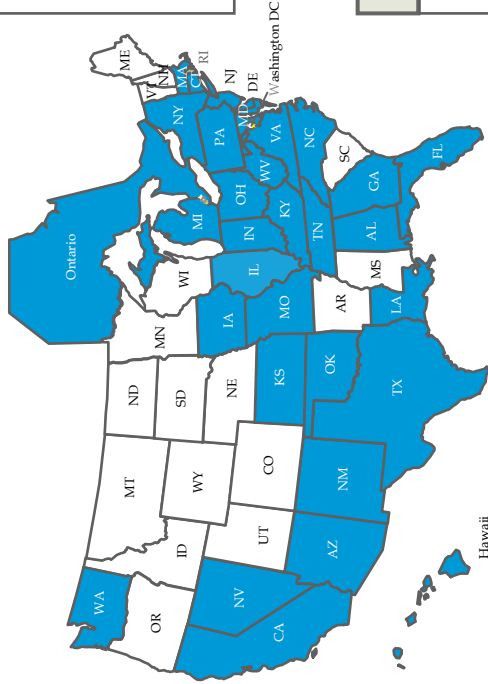
*with extensive water utility
industry expertise*

*American Water is an Attractive Total Return Story
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The Largest Water Services Provider in North America

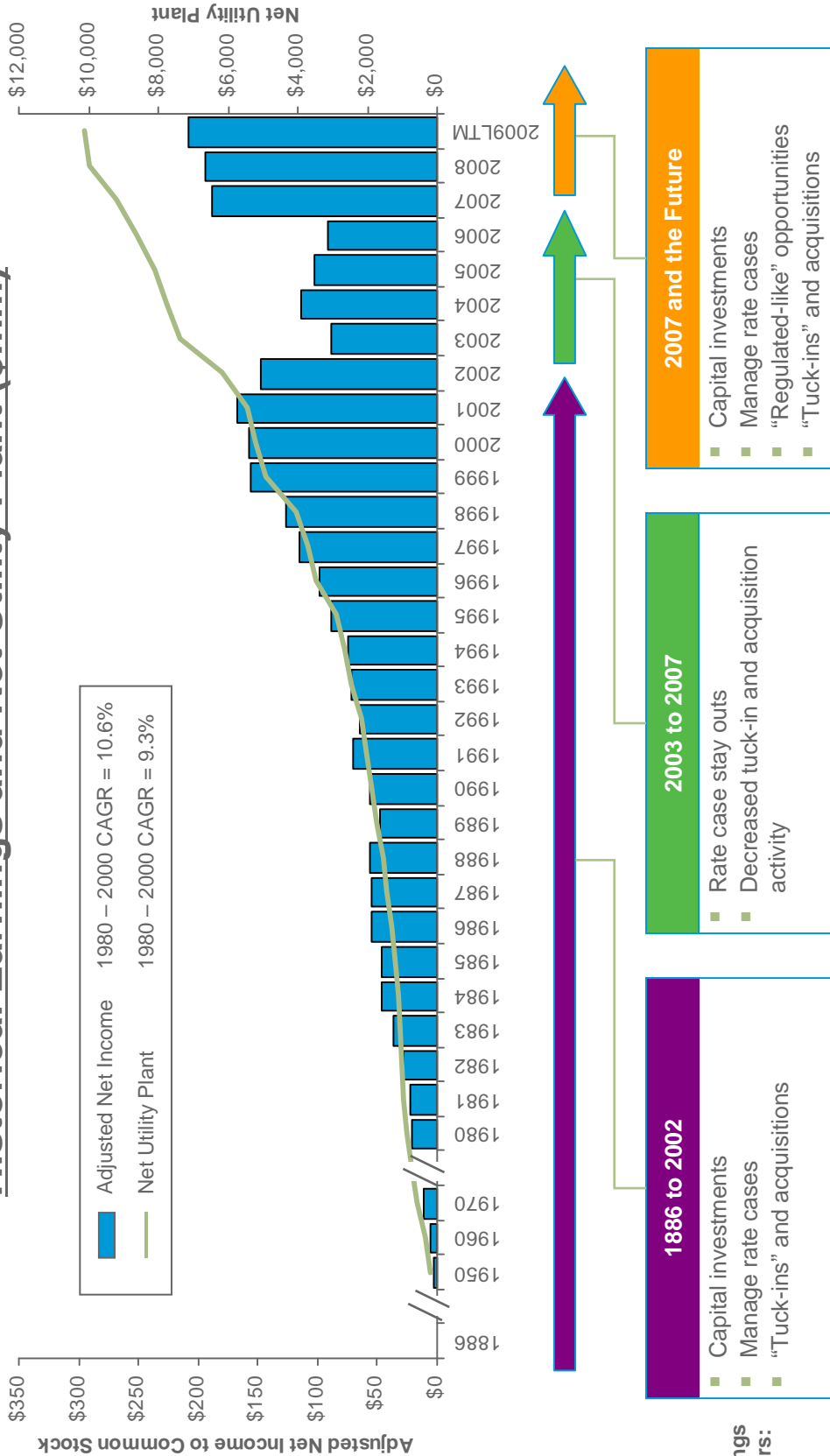


American Water's National Presence



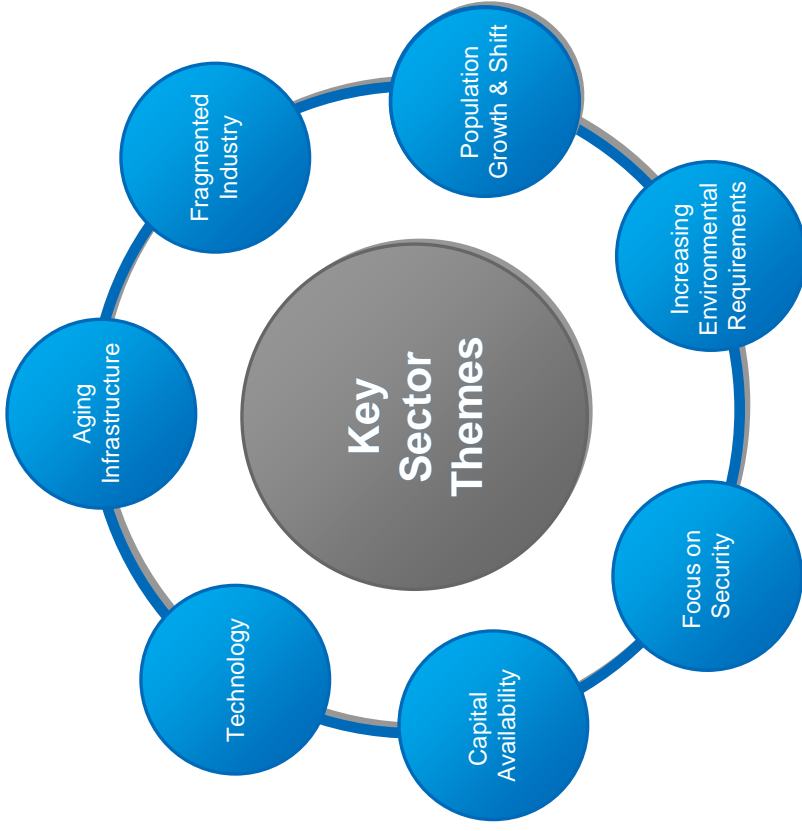
The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



Notes:
 Non-GAAP financial measure.
 Net income adjusted to remove impact of impairment charges (2003-2009 LTM) and one-time costs related to SOX compliance (2006-2009 LTM), Divestiture/Sale and other.
 Please refer to the appendix for a reconciliation to US GAAP.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E-Town included from 2003 onward. NEI included from 1999 onward.

Water Industry Poised for Significant Growth



American Water Opportunities

- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for Public Private Partnerships
- Industry consolidation opportunities

The Bottom Line

Water industry structure favors large players and American Water is best positioned to lead

Water Industry Has Most Favorable Utility Profile

Water Utility Characteristics

- Capital projects focused on maintaining public health & safety standards
- Water bills are low portion of household utility budget
- Essential product with no available substitutes
- Water industry raw input costs (i.e. water and chemicals) are less volatile than energy commodity costs (i.e. coal and natural gas) for electric and gas utilities
- M&A focused on small tuck-ins wherein the target system becomes enabled to meet health & safety standards

Implications

- Regulators supportive of prudent projects
- Demand is more price inelastic than electric or gas
- More stable rates for customers
- Cost forecasting and regulatory lag is more manageable
- Regulators support the strengthening of water systems via M&A
- Water utilities can be more cost efficient and responsive to demand fluctuations
- Mitigates the impact of severe weather conditions / regulatory outcomes in a single jurisdiction

Our Strategic Direction

Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through Regulatory, Weather and Economic Diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Efficiently allocate capital to regulated water and wastewater investments
- Grow Regulated Businesses through focused acquisitions
- Pursue “regulated-like” opportunities & complementary lines of business
- Focus on operating efficiencies

AWK Accomplishments Since IPO: *Executing on Our Strategy*

- **Capital Invested** ✔
 - Approximately \$1.0 billion during 2008, and approximately an additional \$0.2 billion in the 1Q 2009
 - Significant plant upgrades and expansions completed in Missouri and New Jersey

- **Rate Authorizations Granted** ✔
 - \$206.3 million and \$11.8 million additional annual revenue granted in 2008 and 1Q 2009, respectively, including:
 - New Jersey: \$72.1 million in 2008
 - Missouri: \$34.5 million (general rate case) in 2008
 - Illinois: \$21.6 million (general rate case) in 2008
 - Infrastructure surcharges (Various States): \$18.6 million and \$6.6 million in 2008 and 1Q 2009, respectively
 - Since 1Q 2009, additional annual revenue granted of \$13.4 million from general rate case decisions and \$6.2 million in additional infrastructure surcharges
 - Averaging greater than 10% return on equity in rate orders received

- **Rate Cases Awaiting Final Order as of 6/2/09** ✔
 - \$281.0 million in additional annual revenue, including:
 - Arizona, California, Illinois, Indiana, Kentucky and Pennsylvania

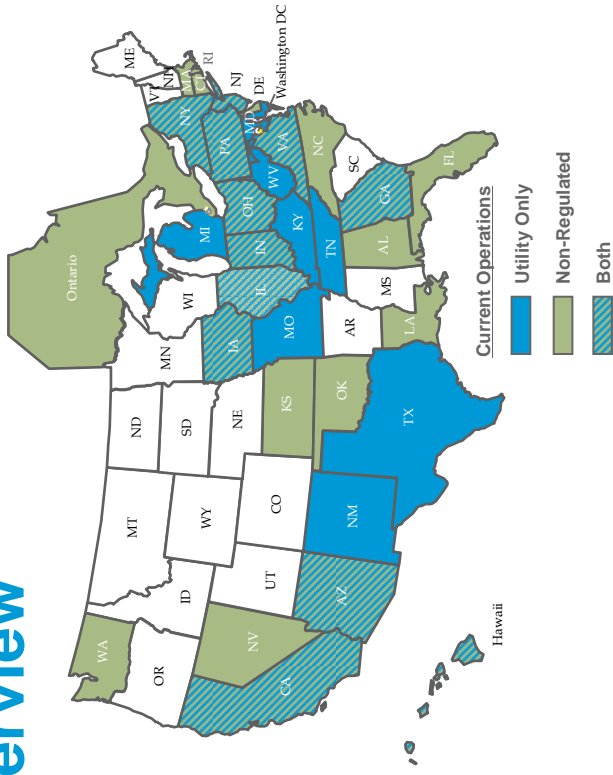
- **“Tuck-ins” Acquired** ✔
 - 10 water and wastewater systems, which added approximately 5,000 water and 1,500 wastewater customers

- **Contracts Awarded** ✔
 - Two 50 year contracts for the operation and maintenance of the water and wastewater systems of Fort Polk and Fort Hood in September 2008
 - Estimated at approximately \$677 million in revenue
 - Overall \$2.3 billion Revenues in current backlog

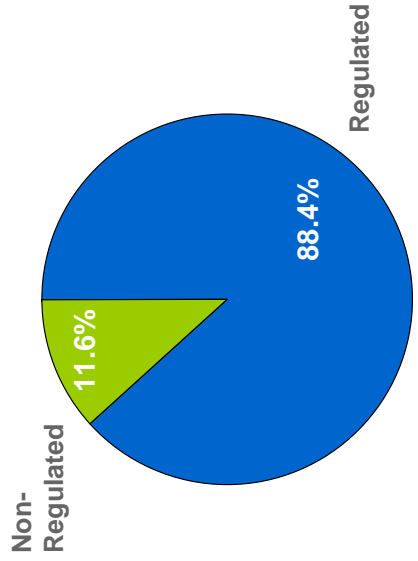
American Water Operations Overview

- Regulated Businesses
- Non-Regulated Businesses

American Water serves approximately 5% of the U.S. population



2008 Total Operating Revenues ⁽¹⁾

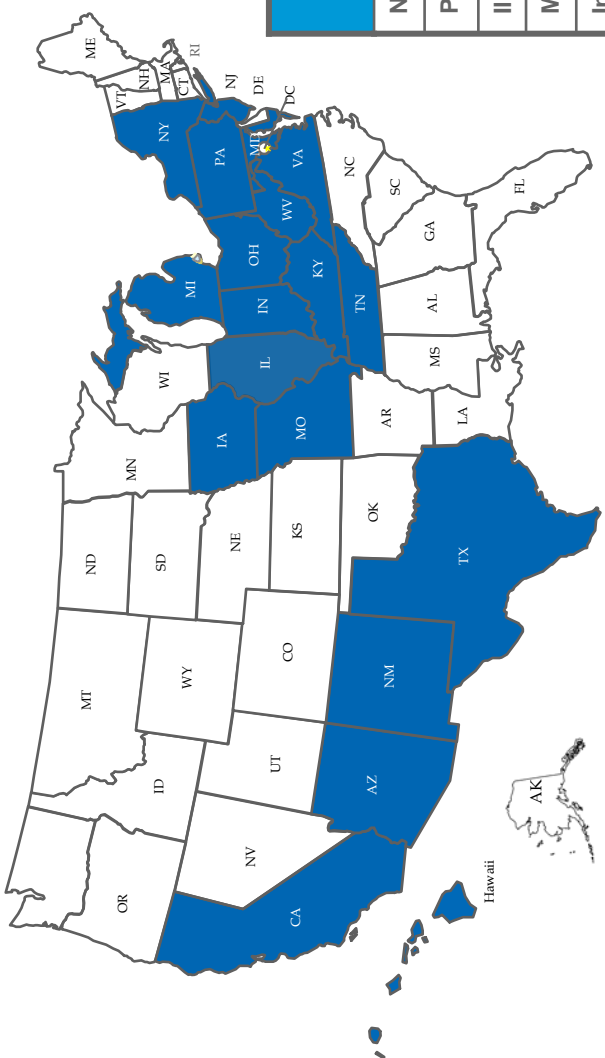


Net Operating Revenues: \$2.3 billion

Note: Percentages account for inter-segment eliminations.



American Water's Regulated Presence



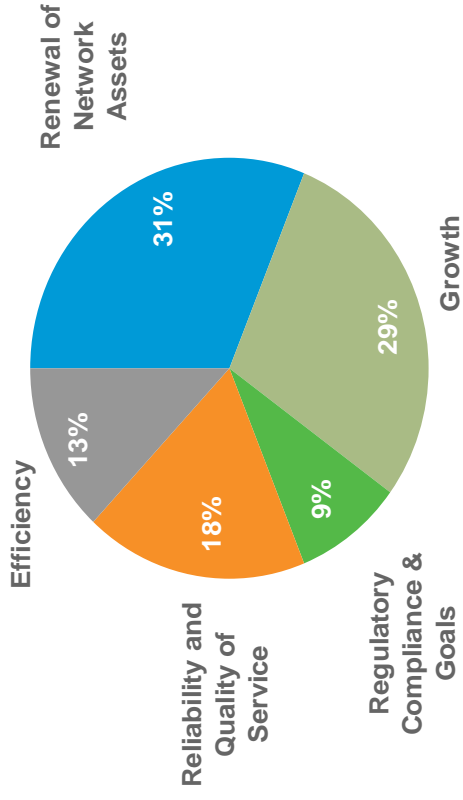
State	Customers Served	% of Total	2008 Revenues (\$ mm)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.

Overview of Capital Expenditures

- Total capital investment of \$4.0 - \$4.5 billion between 2009 and 2013
- Capital program focused on
 - Infrastructure replacement
 - Capacity projects
 - Source of supply needs
 - Acquisitions
 - Major projects
 - Lexington, KY
 - Ashtabula, OH
 - Hopewell, VA
 - Monterey, CA
 - Short Hills, NJ

Projected Capital Expenditures



**Projected Net Capex⁽¹⁾ of
\$4.0 - \$4.5 billion (2009-2013)**

(1) Net capex defined as gross capex less advances and contributions in aid of construction.

Continue to Deliver on Investment and Rate Case Strategy



- Infrastructure charges 2009 year to date of \$12.8 million allowed in Arizona, Indiana, New York and Pennsylvania
- As of June 2, 2009: \$281.0 million total rate cases awaiting final order
- AWK subsidiaries have received authorized ROEs in the range of 8.8% to 10.9% from rate orders during the last year

Our Non-Regulated Businesses: A Complement to Core Competencies

Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY
 - Battery Park



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI
 - Seattle, WA



*Includes 15 AWM projects

Contract Operations

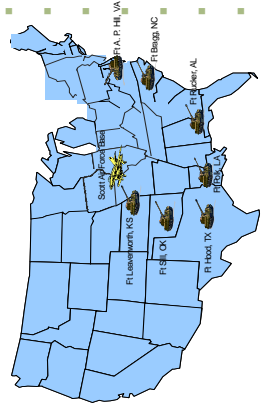
- Over 260 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ



**Includes 228 AWM projects

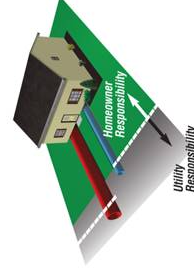
Military Bases Privatization

- Fort Leavenworth, KS
- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Scott Air Force Base, IL
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA



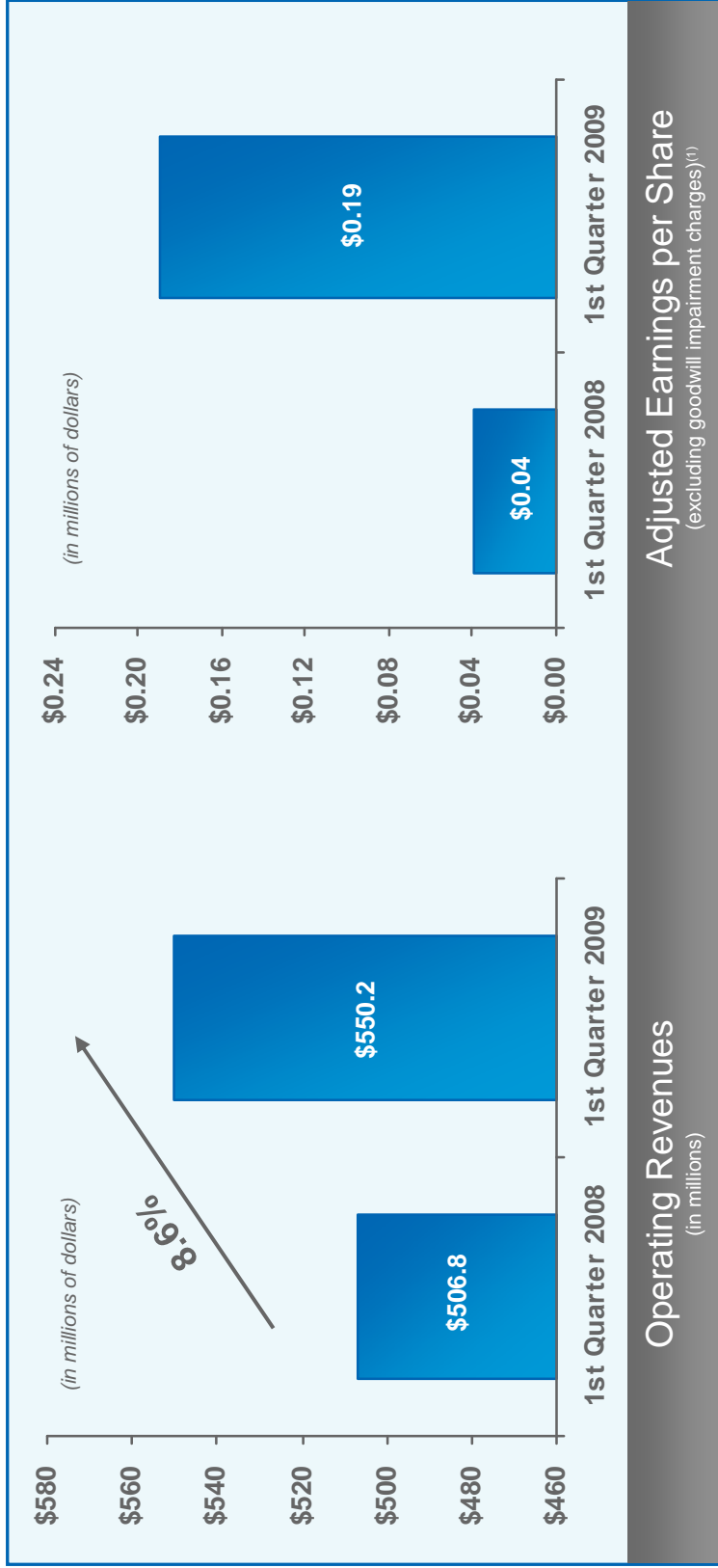
Homeowner Services

- Over 710,000 contracts
- 16 states



**In 2008, AWK reported \$272.2 million of
Non-Reg operating revenues**

2009 First Quarter Financial Highlights



Operating revenues increased by \$43.4 million

- \$43.5 million impact from rate increases
- \$3.7 million in surcharge and balancing account
- Offset by \$2 million lower demand

Earnings per Share (including goodwill impairment charges)

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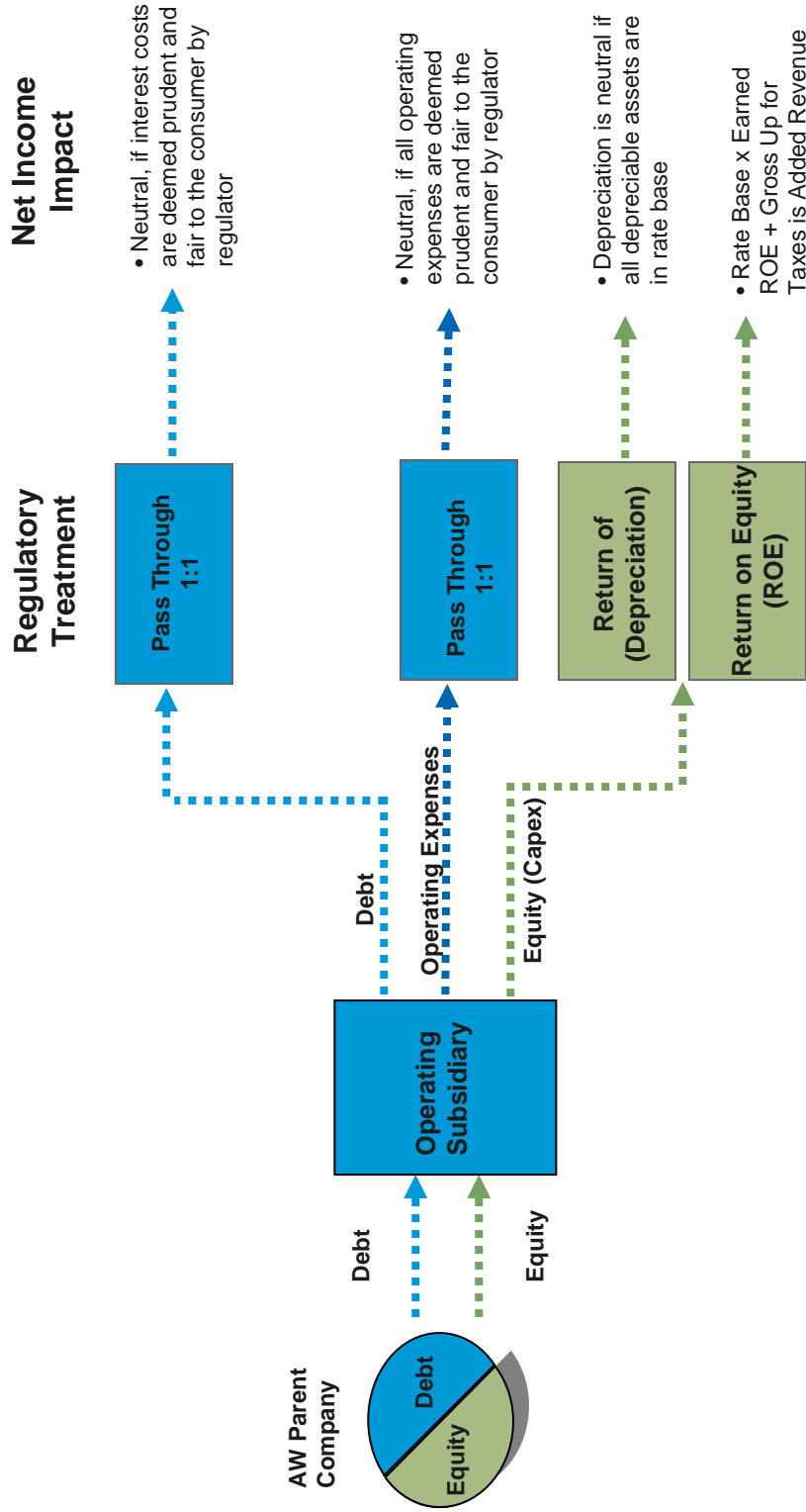
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AMERICAN WATER

Appendix

How is Net Income generated in Rate of Return Regulation?



If all assets are included in the company's Rate Base and all operating expenses are deemed prudent and recoverable by the regulator, then the company earns its allowed ROE, assuming no regulatory lag between rate cases

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Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	443,024
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	3,314
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$207,749

Adjusted Earnings Per Share Reconciliation

	Historical					Q1 2009
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	
(\$ in Thousands, except per share data)						
Net Income (Loss) from Continuing Operations	(\$342,826)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$413,079)
Adjustments						
Add: Impairment charges	509,345	750,000	0	0	0	450,000
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(6,976)
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	29,945
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$0.19
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$0.19

Completed Debt Financings Since September 2008

	Borrower	Underwriter	Coupon	Tenure	Status	Date
\$75M Senior Unsecured Notes	AWCC	Edward Jones	10.00%	30 Years	Completed	23-Nov
\$75M Senior Unsecured Notes	AWCC	Edward Jones	8.25%	30 Years	Completed	04- Feb
\$80M General Mortgage Bonds	PA American	Morgan Stanley	6.2%	30 Years	Completed	08- Apr
\$25M General Mortgage Bonds	NJ American	MetLife*	5.48%	10 Years	Completed	13- May
\$75M General Mortgage Bonds	NJ American	MetLife*	6.35%	30 Years	Completed	13-May
\$24.5M Senior Unsecured Notes	AWCC	Co-Bank*	7.21%	10 Years	Completed	19-May
\$25.5M Senior Unsecured Notes	AWCC	MetLife*	8.27%	30 Years	Completed	19-May
\$52.9 Tax-Exempt Senior Notes	AWCC	Edward Jones	6.0% - 6.75%	9-22 Years	Completed	21-May

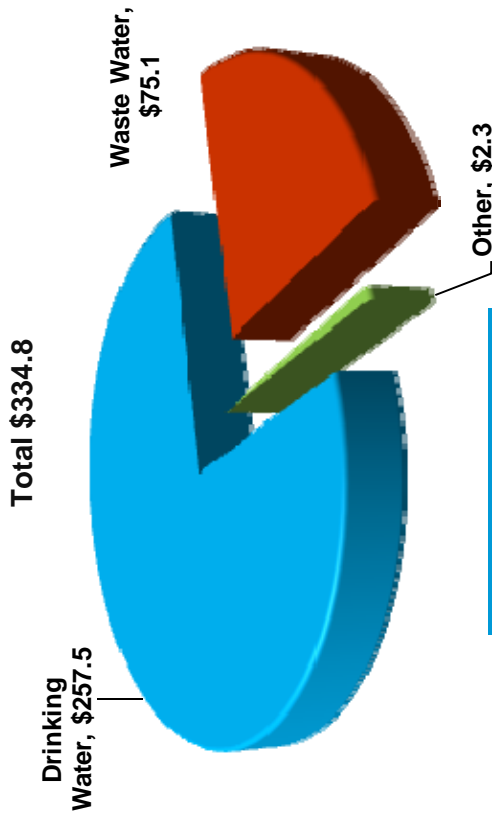
* Actual Investors.

The US Water Industry also faces complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ■ Replacement of Infrastructure 	<ul style="list-style-type: none"> ■ Full cost recovery ■ Scale driven efficiency ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ■ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ■ Water Supply 	<ul style="list-style-type: none"> ■ Conservation ■ Reuse ■ Desalination ■ Total water management ■ Leak Technology/AMR
<ul style="list-style-type: none"> ■ Fragmentation 	<ul style="list-style-type: none"> ■ Economies of scale ■ Operational Efficiencies Consolidation ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Funding for needed investments 	<ul style="list-style-type: none"> ■ Low interest financing ■ Federal Funding ■ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ■ Sound Stewardship 	<ul style="list-style-type: none"> ■ Consolidation ■ Public-Private Partnerships ■ Transparency

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

REPORT on America's INFRASTRUCTURE

★ HOME ★ REPORT CARDS ★ STATES ★ CATEGORIES ★ SOLUTIONS ★ TAKE ACTION ★ NEWSROOM ★

SEARCH

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

2009 GRADE: D-

WATER AND ENVIRONMENT DRINKING WATER

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$30 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

2009 GRADE: D-

WATER AND ENVIRONMENT WASTEWATER

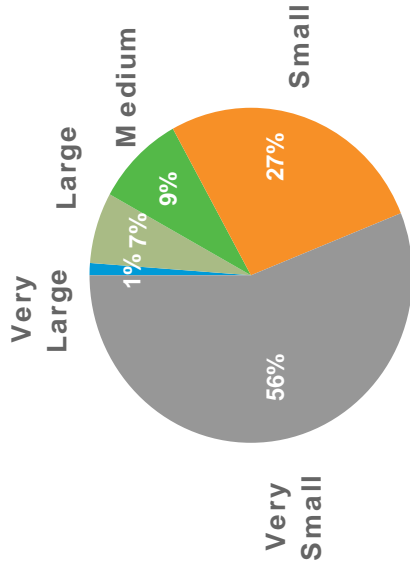
- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2008 Drinking Water. In billions, adjusted to January 2007 dollars. Infrastructure Needs Survey and Assessment. Note: Numbers may not total due to rounding.

Consolidation is Essential to Address Industry Challenges

Industry Fragmented Across Small Systems

[Number of U.S. Water Systems by Water System Size^{\(1\)}](#)

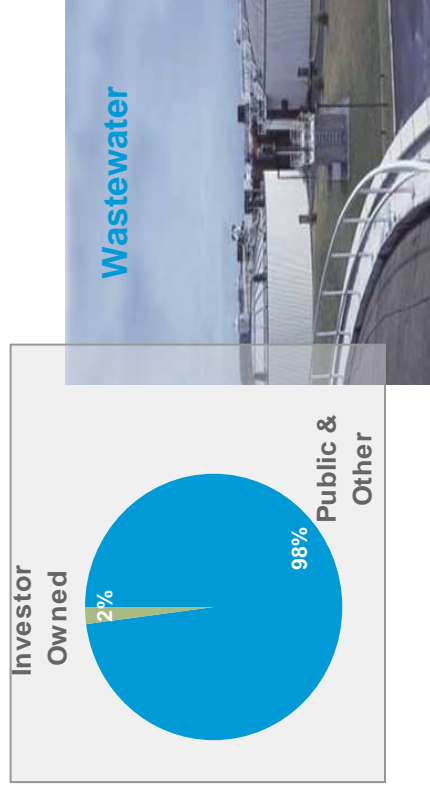
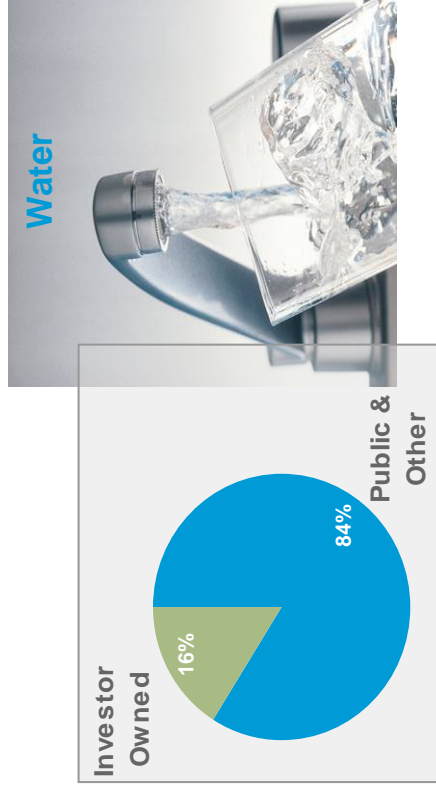


51,988 Water Systems

⁽¹⁾ Source: EPA, Drinking and Ground Water Statistics, 2008.

- Maintain quality and reliability
- Meet stringent EPA regulations
- Allocation priorities and limitations of capital for public / local systems

Limited Investor Ownership



The majority of water systems are owned by capital-constrained entities

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

Impact of the Economic Crisis on U.S. Municipalities

Loss of jobs/Loss of economic development and growth

Limited access to operating cash/expensive short-term borrowing

Access to Credit Denied/Delayed/Costly
– capital projects delayed

Lost Values in Pension Funds and 401K retirement accounts

Foreclosures and Housing Values
= lost property tax revenue

Expanded focus on Public Private Partnerships

How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy's productive capacity
- Investment in water and sewer infrastructure yields positive returns.
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35 *
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year *
- Adding one job in water and sewer creates 3.68 jobs additional jobs in the national economy *
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*

American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

AWK 2009 Accomplishments: Executing on Our Strategy

Financial and Rate Case Management Achievements

Adequate access to Capital for prudent balance of Debt: Equity

- \$357.9 mm new debt
- \$75 million aggregate principal amount of 8.25% Senior Monthly Notes (Feb. 2009)
- \$80 million in tax-exempt water facility revenue bonds through the Pennsylvania Economic Development Financing Authority (PEDFA) (April 2009)
- \$25.5 million aggregate principal amount of 8.27% Senior Unsecured notes and \$24.5 million aggregate principal amount 7.21% Senior Unsecured notes (May 2009)
- \$75 million aggregate principal amount of 6.35% First Mortgage Bonds and \$25 million aggregate principal amount of 5.48% first mortgage bonds issues by NJWAC (May 2009)
- \$52.9 million tax-exempt senior notes at 6.0%- 6.75% (May 2009)
- Expect to raise approximately \$300 million



Capital Investment

- On target to invest in infrastructure between \$4.0 billion and \$4.5 billion in next five years



Earning an Appropriate Rate of Return

- \$11.8 million additional annual revenue granted in first quarter 2009, with additional \$19.6 million annual revenues granted during second quarter through June 2, 2009
- \$281.0 million in additional annual revenue filed and awaiting final order as of June 2, 2009





AMERICAN WATER



AMERICAN WATER

Barrington Research Industrial Conference

May 2009

Cautionary statement concerning forward-looking statements

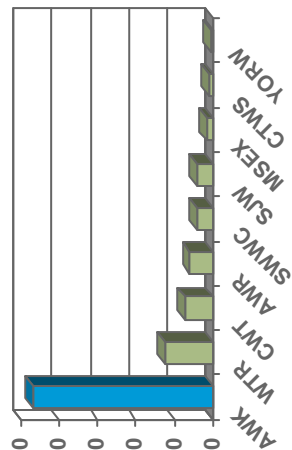
Statements in this release that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s SEC filings, including the information in Item 1A - “Risk Factors” in American Water’s Annual Report on Form 10-K for the year ended December 31, 2008.”

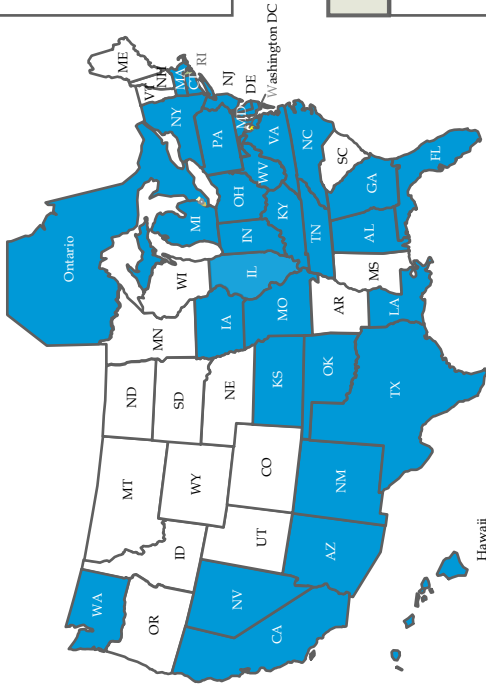
The Company undertakes no duty to update any forward-looking statement.

The Largest Water Services Provider in North America

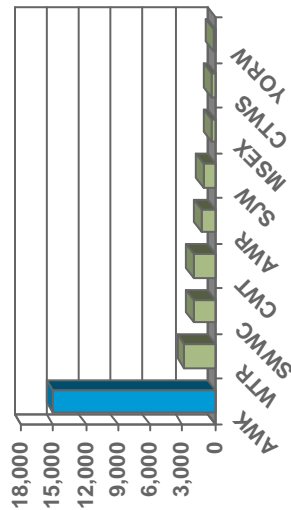
Total Revenues (in millions)



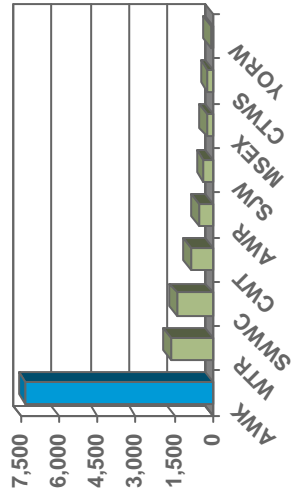
American Water's National Presence



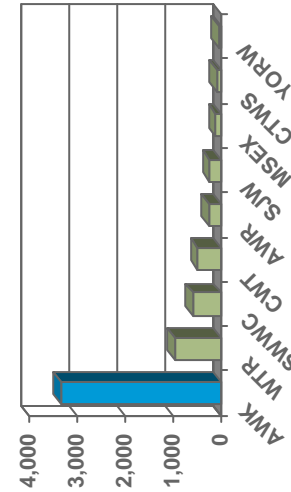
Population Served (in thousands)



Employees



Customers (in thousands)



Notes:
 All data is as of December 31, 2008.
 Population served for WTR, CWT, AWR, and CTWS is estimated.

American Water's Business – The Integrated Water Cycle



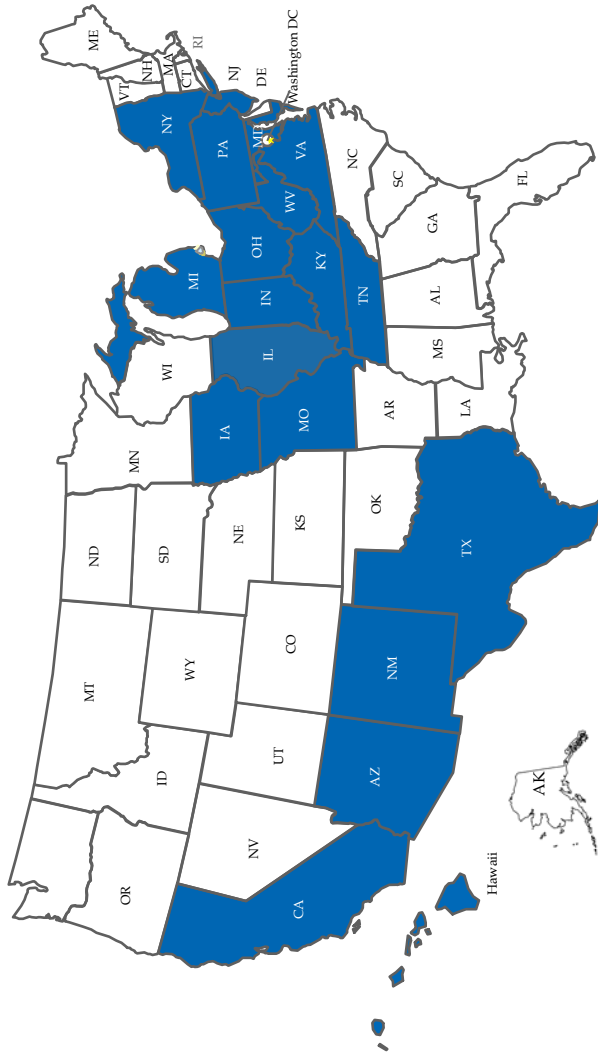
Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

American Water's Regulated Presence



State	Customers Served	2008 Revenues (\$ in millions)
New Jersey	643,330	\$517.7
Pennsylvania	648,958	447.9
Illinois	307,734	187.5
Missouri	456,887	181.1
Indiana	283,886	156.4
California	170,853	128.6
West Virginia	170,404	115.7
Other	639,663	347.8
Total Regulated Business	3,321,715	\$2,082.7

American Water serves approximately 5% of the U.S. population

Our Non-Regulated Businesses: A Complement to Core Competencies

Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA



Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI



Contract Operations

- Over 300 contracts**
- Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ

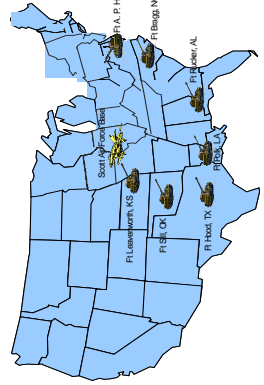


*Includes 15 AWM projects

**Includes 268 AWM projects

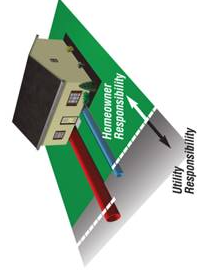
Military Bases Privatization

- Fort Leavenworth, KS
- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Scott Air Force Base, IL
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA



Homeowner Services

- Over 680,000 contracts
- 16 states



Our Strategic Direction

Realizing Today's Value

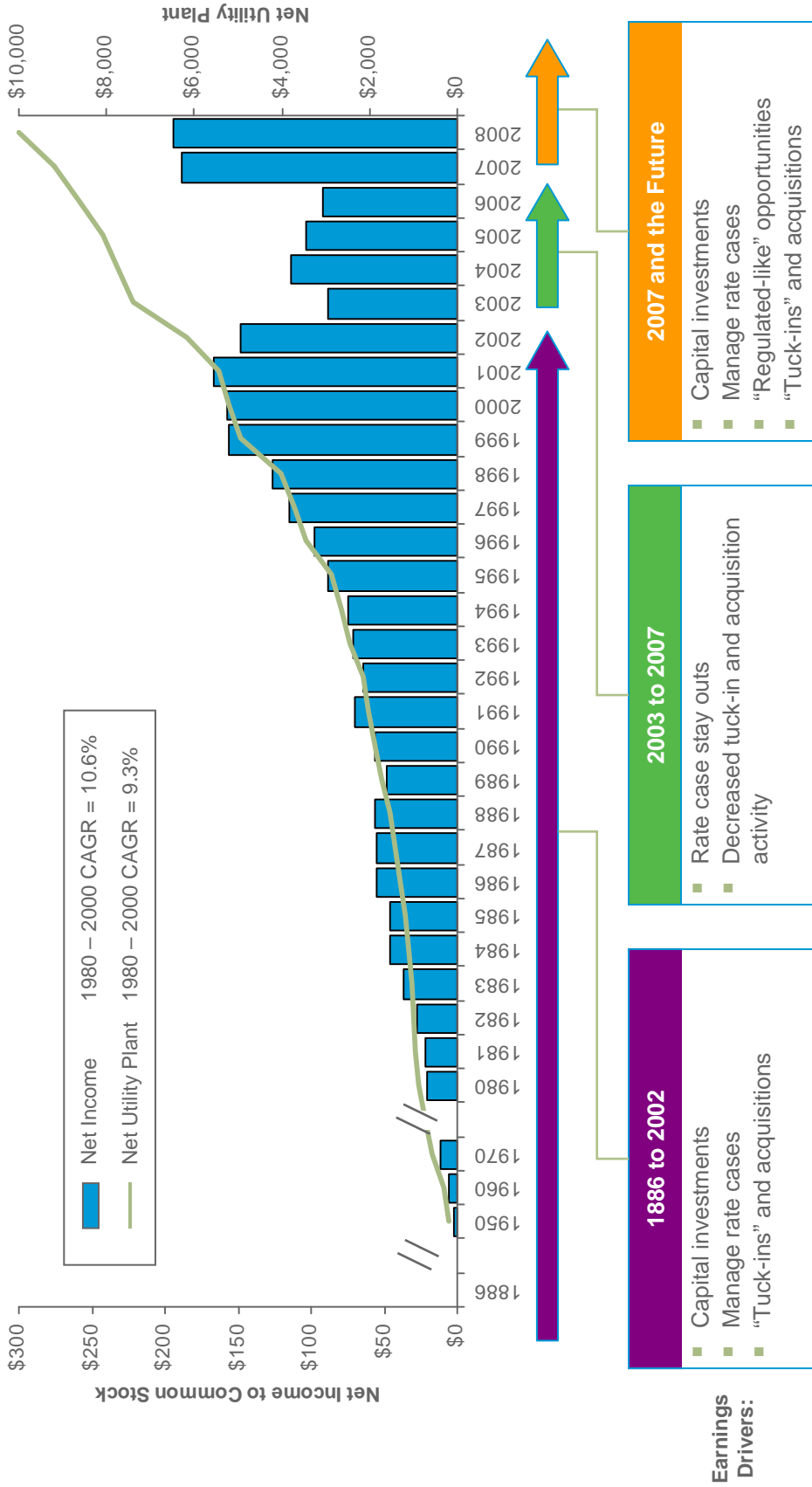
- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through regulatory, weather and economic diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Continue allocation of capital for investments in regulated water and wastewater projects
- Continue growth of Regulated Businesses through focused acquisitions
- Continue to pursue “regulated-like” opportunities & complementary lines of business
- Continue focus on achieving operating efficiencies

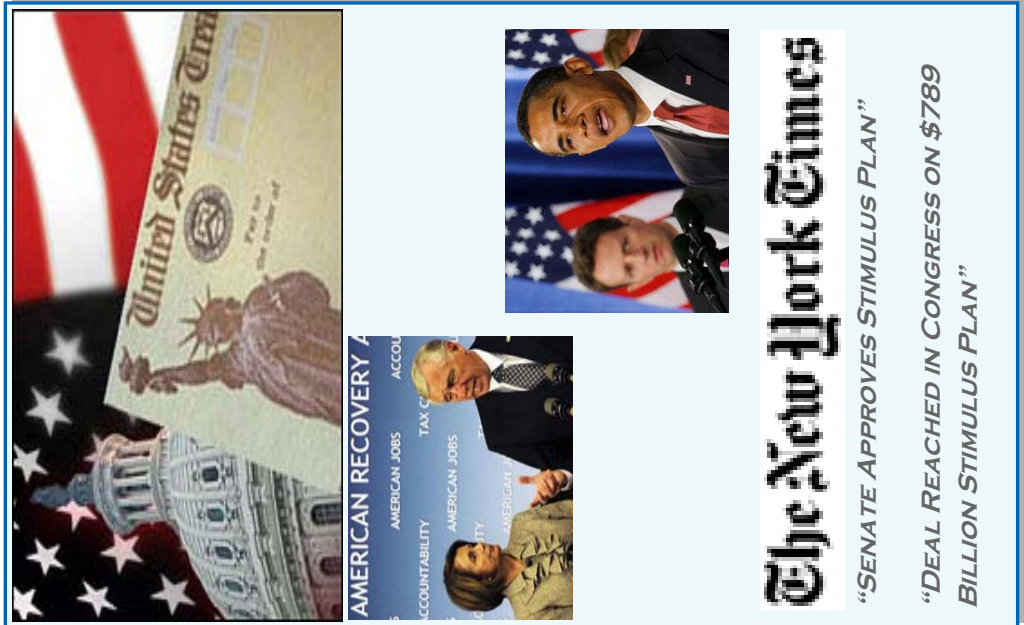
The American Water Story

Historical Earnings and Net Utility Plant (\$mm)



Notes:
 Net income adjusted to remove impact of Impairment charges (2003-2008) and one-time costs for SOX (2006-2008) and Divestiture/Sale and other. Please refer to the Appendix for the Reg G Reconciliation of Adjusted Net Income.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the S-1, which exclude immaterial amounts of non-utility Net PP&E.
 E* Town included from 2003 onward. NEI included from 1999 onward.

The 2009 Stimulus Act – Opportunities for American Water



- \$6 Billion for drinking water and wastewater infrastructure improvements
- \$15 Billion increase in Private Activity Bond cap

Opportunities for American Water

Increased Business Development Opportunities

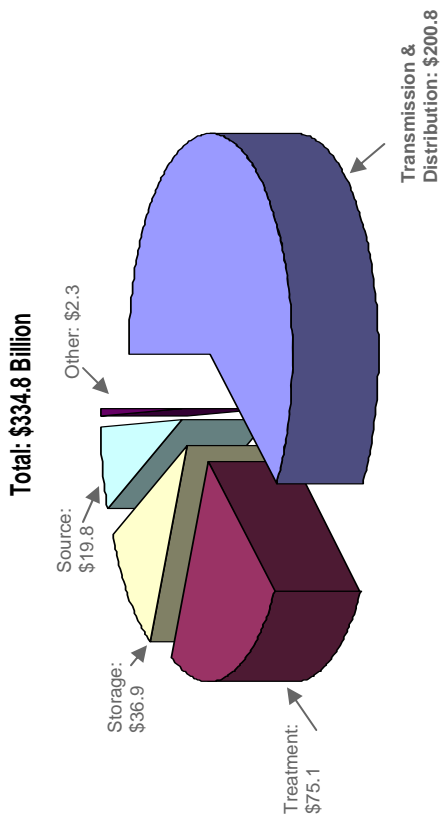
- Collaborate with municipalities on infrastructure projects
- Encourage municipalities to upgrade community water systems

Cash Flow Benefits

- * Bonus Depreciation Extension
- * AMT Repeal on tax exempt bonds

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



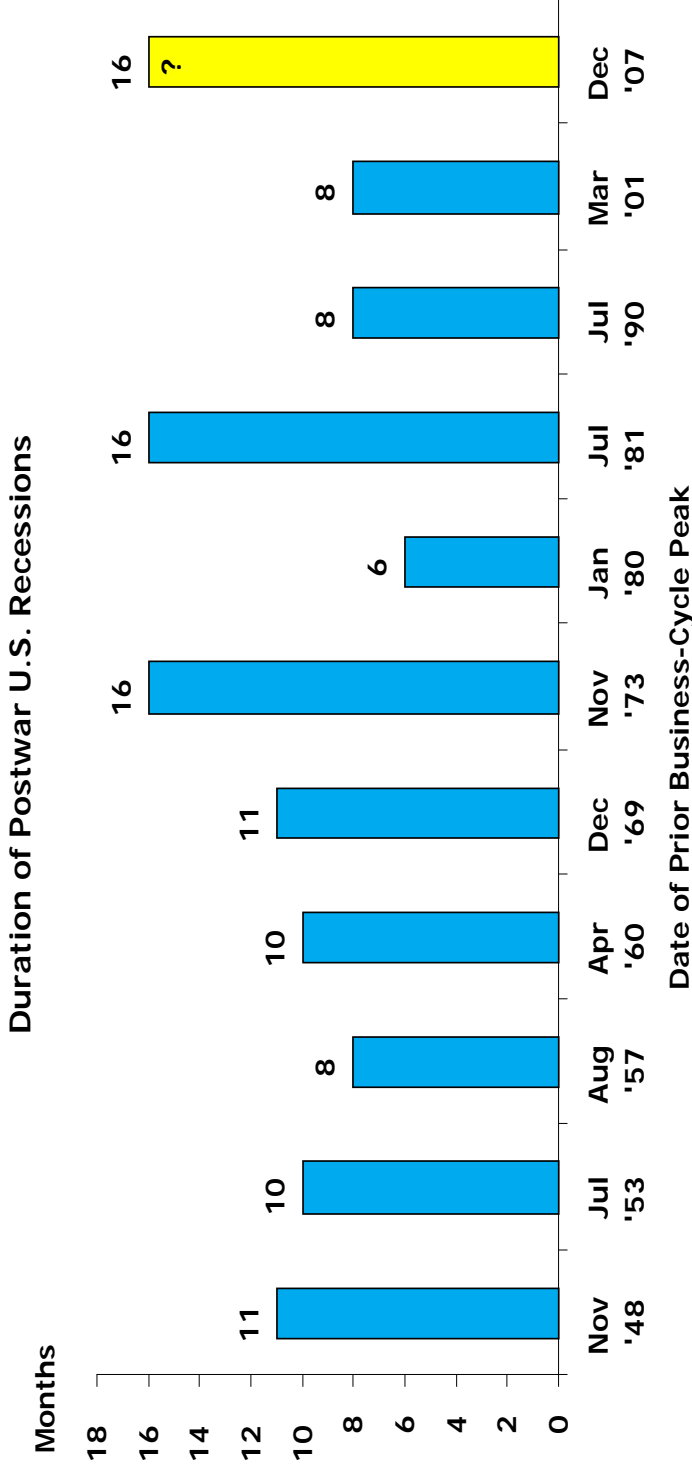
- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

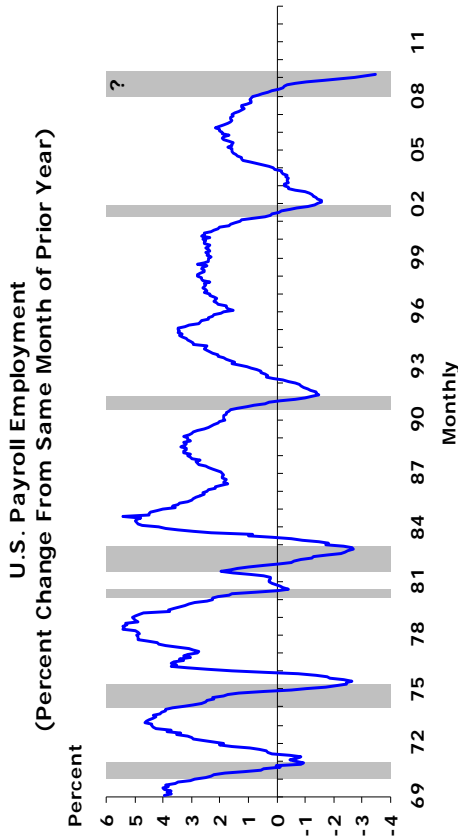
Current US Recession is already one of the longest, and is affecting all facets of economy



Source: National Bureau of Economic Research.

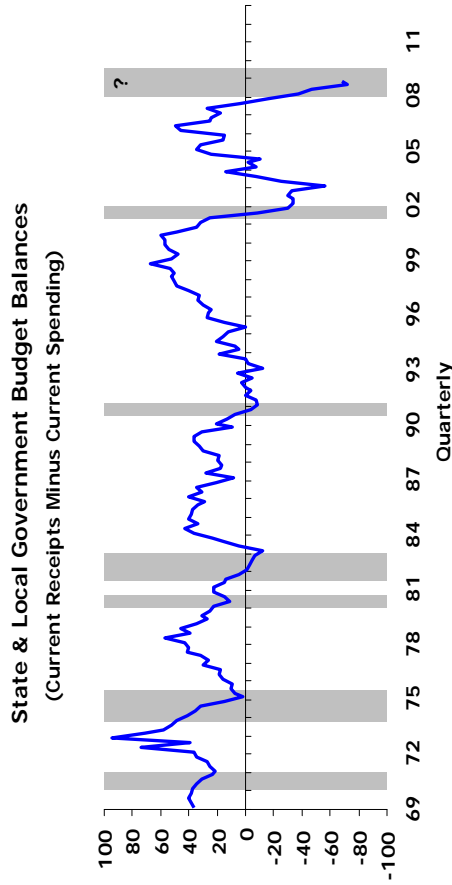
Current recession began December 2007 and is now the deepest recession since the Great Depression

Reflecting recession effects, Payroll Employment and State and Local Government Balances have fallen dramatically



- Payroll employment fell by 3.5% in March, compared to the same month last year
- Job growth is most important factor in consumer spending, the single biggest portion of U.S. GDP

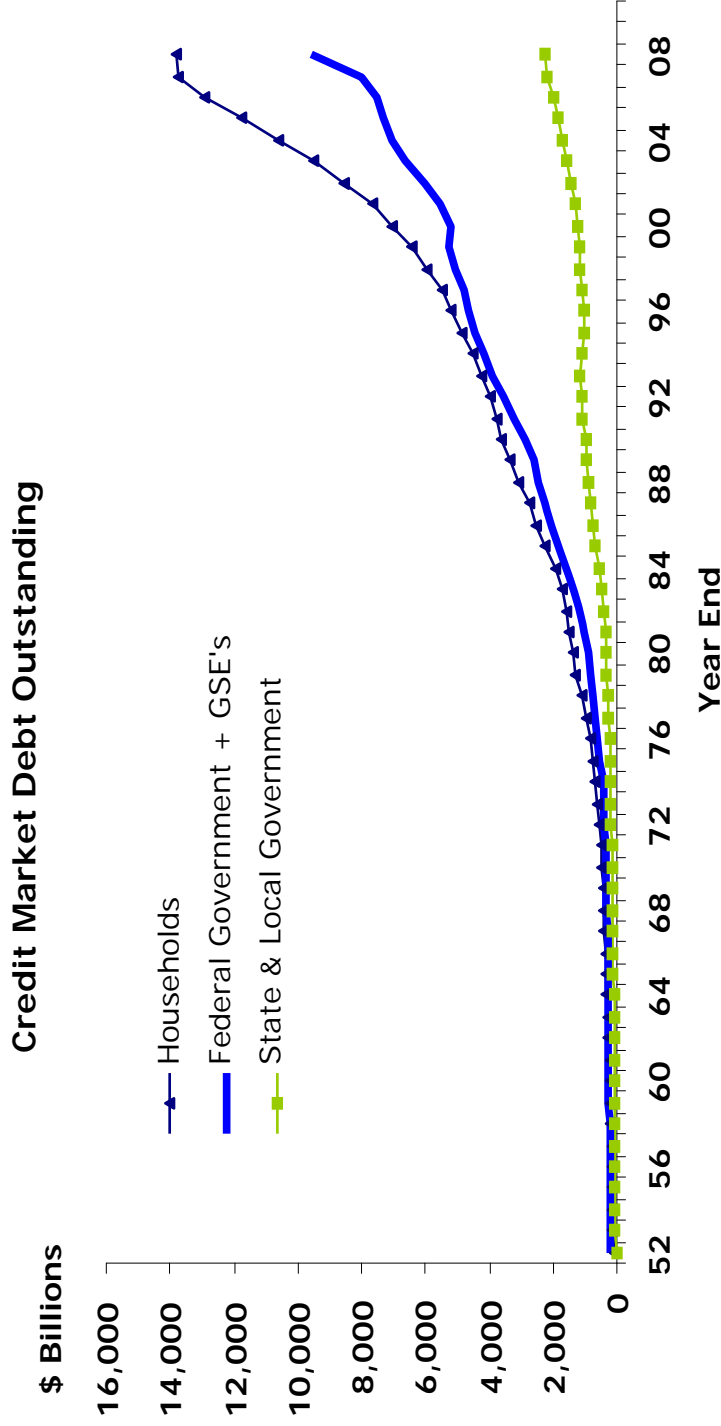
Shaded Area = Recession.
Sources: U.S. Dept. of Labor, Bureau of Labor Statistics (data), National Bureau of Economic Research (recession dates).



- Job related weakness has affected consumer income and spending to cause an unusually sharp increase in real estate and budget deficits last year
- Largest recorded percentage drop in 50 years

Shaded Area = Recession. Deflated to year 2000
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates)

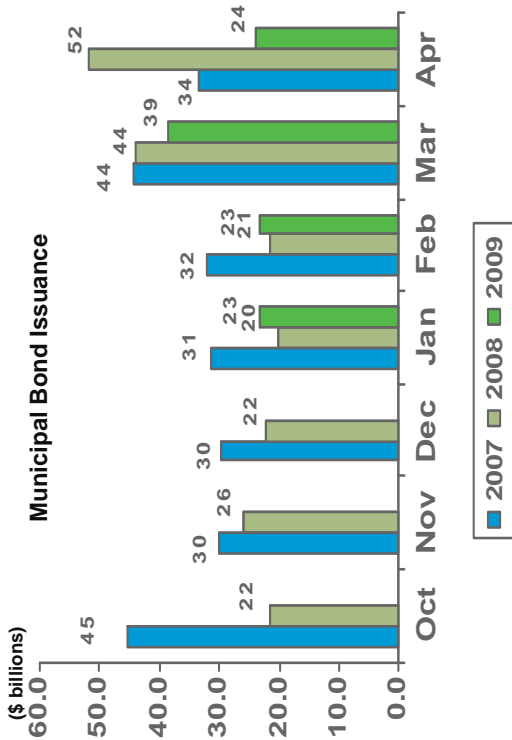
Overall debt outstanding in U.S. has climbed exponentially



Source: Board of Governors of the Federal Reserve System, "Flow of Funds Accounts of the United States".

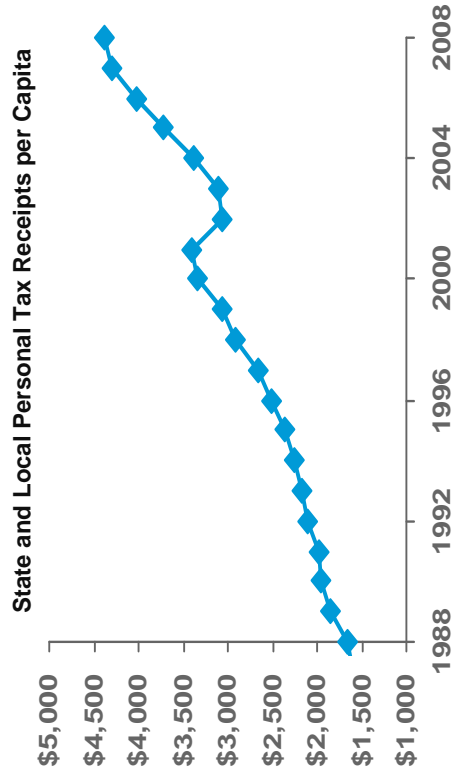
Debt levels have risen steadily since the early 1950s, but with credit markets constrained, higher debt levels will be a challenge

Current US Recession and Capital Markets volatility could impact ability of Municipalities to finance needed Investments



- As a result of market contraction, municipal debt issuance is down sharply
- Current long-term borrowing costs for even top-rated issuers in the tax-exempt marketplace exceed those on taxable securities

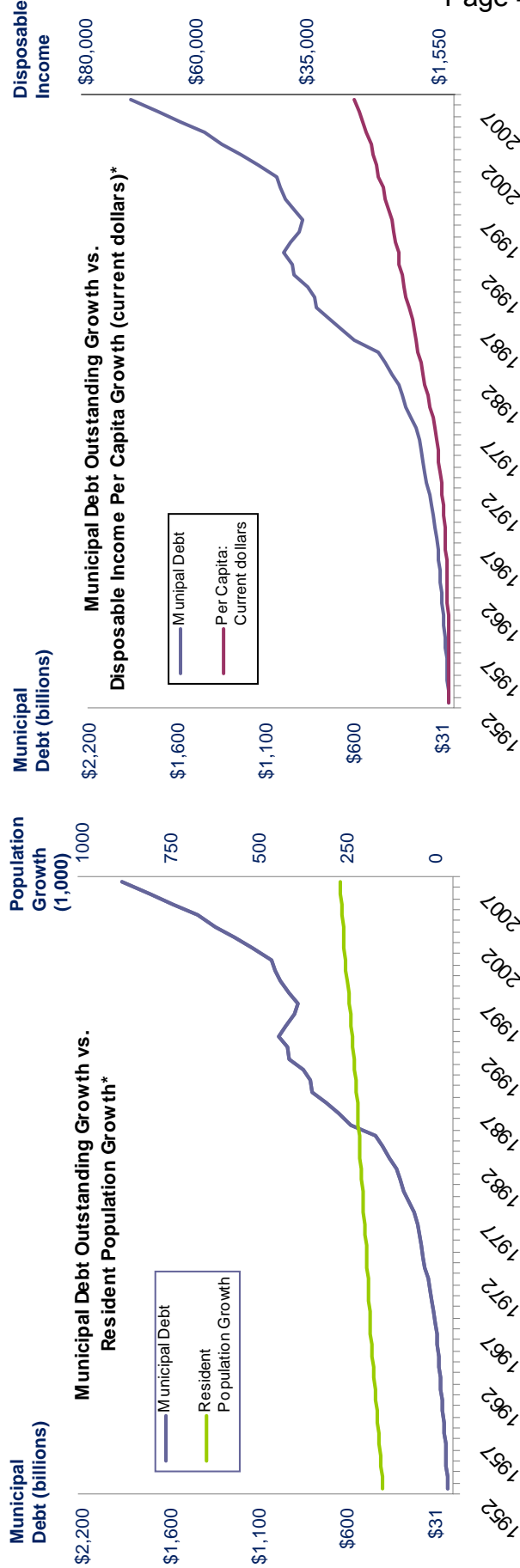
Source: Wall Street Journal Data Center



Source: Wall Street Journal Market Data Center

- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels
- New Jersey has highest state-local tax burden at 11.8%, followed by New York (11.7%) and Connecticut (11.1%)

Growth in Municipal Debt Has Far Outpaced both Population Growth and Disposable Income



Since 1952, municipal debt has significantly exceeded population growth levels

At the same time, municipal debt has grown close to 3.5x disposable income levels

- All data has been indexed from 1952
- Source: U.S. Census Bureau

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

Impact of the Economic Crisis on U.S. Municipalities

Loss of jobs/Loss of economic development and growth

Limited access to operating cash/expensive short-term borrowing

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**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*



AMERICAN WATER

1Q 2009 Financial Update

Revenue Breakdown

	<u>(\$ in Millions)</u>
Revenues for the Three Months Ended March 31, 2008	\$506.8
Increase due to rate authorizations	43.4
Increase in surcharges and balancing accounts	3.7
Decrease due to water consumption	(2.0)
Decrease in Contract Operations	(3.2)
Other, net	<u>1.5</u>
Revenues for the Three Months Ended March 31, 2009	<u><u>\$550.2</u></u>

Rate Case Summary

General Rate Cases Finalized in 2008 and 2009

	Docket / Case Number	Amount		ROE Requested	Effective Date for new rates	Actual ROE		Actual Amount Granted	Rate Base (Filed / Approved)
		Date Filed	Filed			Granted	Granted		
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7	
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6	
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3	
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7	
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7	
California (Sacram., etc)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0	
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3	
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4	
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8	
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1	
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7	
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5	
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1	
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5	
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0	
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7	

- Infrastructure charges January 1, 2008 through March 31, 2009 of \$25.2 million
- Infrastructure charges through April 30, 2009 of \$31.4 million
- Surcharges were finalized in 2009 which will provide annual revenue of \$12.8 million

General Rate Cases Awaiting Final order as of April 30, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed / Approved)</u>
Hawaii ***	2007-0180	11/1/2007	\$1.3	10.60%	TBD	TBD	TBD	\$24.9
Texas **	2008-0910-UCR	2/21/2008	\$0.9	12.00%	TBD	TBD	TBD	\$6.7
California * (Monterey)	A 08-01-023, 027	1/30/2008	\$37.1	11.50%	TBD	TBD	TBD	TBD
California * (General Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	TBD	TBD	TBD	TBD
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	TBD	TBD	TBD	TBD
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	TBD	TBD	TBD	\$203.3
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	TBD	TBD	TBD	\$31.4
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	TBD	TBD	TBD	\$305.5

Filed in 2009

California **** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	TBD	TBD	TBD	\$215.8
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	TBD	TBD	TBD	\$1,861.3
Iowa	RPU-09-TBD	4/30/2009	\$9.4	12.20%	TBD	TBD	TBD	\$86.7
Indiana	43680	4/30/2009	\$46.9	12.00%	TBD	TBD	TBD	\$670.5
Maryland	TBD	4/30/2009	\$0.8	11.75%	TBD	TBD	TBD	\$11.8

* Calif. Rate increase amount includes step increases of \$7.2m effective in 2010, and \$8.1m effective 2011.

** Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.

*** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.

**** Calif. Rate increase amount includes test year (2010) increase of \$26.1m, and step increase of \$6.6m effective in escalation year of 2011.

Comparison of Water Sales Volumes First Quarter 2009 compared with First Quarter 2008

<u>Customer Class</u>	<u>Water Sales Volumes</u> (In Millions of Gallons)		<u>Increase (Decrease)</u>	<u>Percentage</u>
	<u>2009.0</u>	<u>2008.0</u>		
Residential	44,554	45,244	(690)	(1.5) %
Commercial	18,229	18,917	(688)	(3.6) %
Industrial	8,629	9,908	(1,279)	(12.9) %
Public & Other	12,613	12,959	(346)	(2.7) %
Total	84,025	87,028	(3,003)	(3.5) %

Operating Expense Breakdown

	(\$ in Millions)
Operating Expenses for the Three Months Ended March 31, 2008	<u>\$1,177.2</u>
Decrease in Impairment Charge	(300.0)
Increase in Employee Related Costs	5.8
Increase in Production Costs	4.8
Decrease in Operating Supplies & Services	(12.7)
- Divestiture	(\$2.9)
- SOX and remediation	(\$6.0)
Decrease in Maintenance Materials & Services	(2.7)
Increase in Customer Accounting & Billing	3.4
Increase in Depreciation & Amortization	4.9
Other, net, including insurance and regulatory costs	4.7
Operating Expenses for the Three Months Ended March 31, 2009	<u><u>\$885.5</u></u>

Net Income (Loss) Summary

	For the Three Months Ended	
	March 31	2008
	2009	2008
	<i>(In thousands, except per share data)</i>	
Net loss to common (including impairment charge)	(\$413,079)	(\$732,484)
Impairment charge, net of tax	\$443,024	\$738,475
Net income excluding impairment charge*	\$29,945	\$5,991
Common dividends paid	\$32,072	--
Average common shares outstanding during the period, diluted	160,011	160,000
Loss per share	(\$2.58)	(\$4.58)
Earnings per common share (excluding goodwill impairment)*	\$0.19	\$0.04

*Table included separately that reconciles the non-GAAP financial measures

1st Quarter 2009- Liquidity and Capital Resources

- **Cash Flows from Investing Activities**
 - Capital expenditures \$196.2 million
 - Relatively consistent with \$188.4 million in 2008
 - Driven by infrastructure needs
- **Cash Flows from Operating Activities**
 - First quarter 2009 operations - \$142.5 million
 - Increased from the prior year - \$57.1 million
- **Financing Activities**
 - \$850.0 million senior unsecured credit facility accessed
 - \$256.9 million Commercial Paper outstanding at March 31, 2009
 - \$370.0 million outstanding on revolving credit line at March 31, 2009
- **Debt Offerings**
 - \$75.0 million in a public debt offering completed in February, 2009
 - \$80.0 million of Pennsylvania tax-exempt water facility revenue bonds
 - Application for State Revolving Loan Funds \$98.6 million

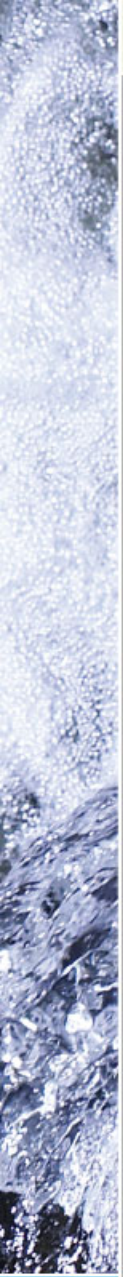
Dividends Paid – Return on Shareholder Investment

- **Declared four quarterly dividends since IPO**
 - Declared and paid three dividends
 - Declared fourth dividend on April 30 to pay out June 1, 2009
- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
 - Subject to approval by American Water’s Board of Directors
- **Committed to meeting shareholders’ expectations**



Equity Requirements

- Timing will be driven by equity capital needs and market conditions
- Goodwill impairment does not alter our timing or amount
- 45-50% equity to total capital ratio is a long-term goal
- Increase in equity driven by
 - Net income
 - Equity issuance
 - Prudence of capital program



Goodwill Impairment

- **Basis of Goodwill**
 - RWE's acquisition of American Water (AWK) in 2003
 - Premium paid by RWE recorded on AWK's books
 - Tested annually or more often if triggering event occurs
- **First quarter 2009 review**
 - Business fundamentals strong
 - Sustained decline of AWK stock caused triggering event
- **Impairment calculation**
 - Amount primarily determined by
 - Stock price decline
 - Debt value – interest rate change
- **Non-cash impact**

Key Highlights

Recognized Market Leader
*with geographic diversity,
national presence and local
relationships*

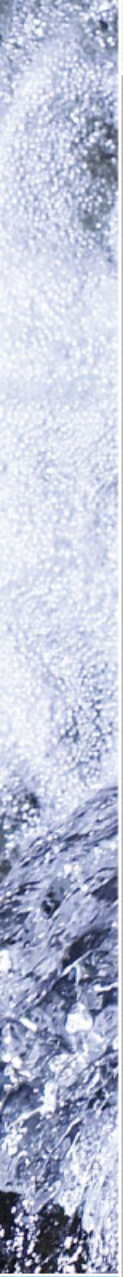
Strong Visible Growth
*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

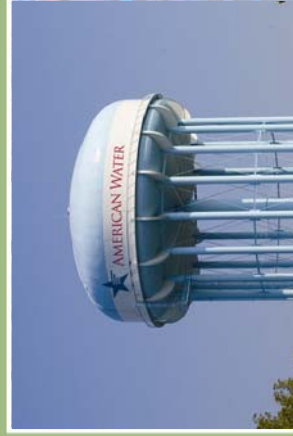
Favorable Risk Profile
*of water utility industry with
supportive regulatory
environment*

Proven Management
*with deep water utility
industry expertise*

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**WE CARE ABOUT WATER.
IT'S WHAT WE DO.**





AMERICAN WATER

Annual Stockholder Meeting
May 8, 2009

Cautionary statement concerning forward-looking statements

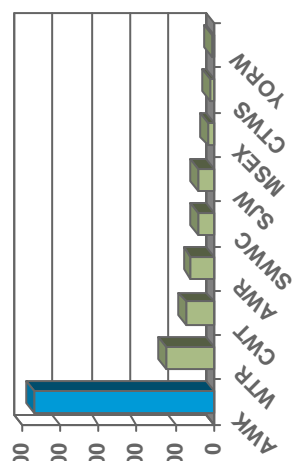
Statements in this release that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s SEC filings, including the information in Item 1A - “Risk Factors” in American Water’s Annual Report on Form 10-K for the year ended December 31, 2008.

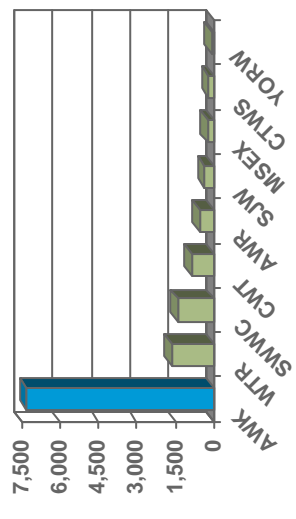
The Company undertakes no duty to update any forward-looking statement.

The Largest Water Services Provider in North America

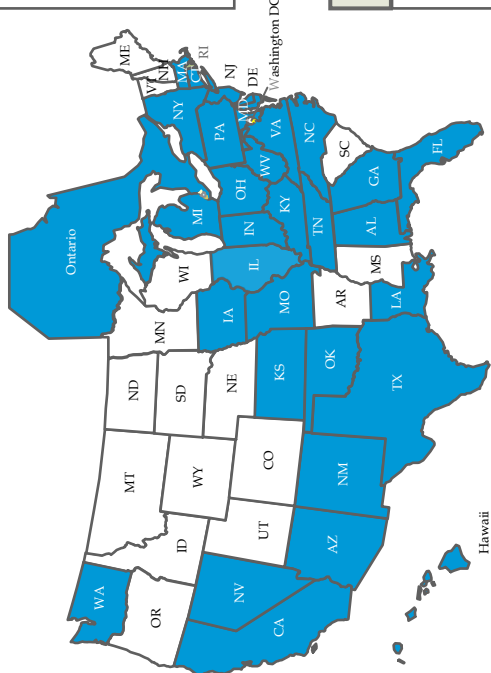
Total Revenues (in millions)



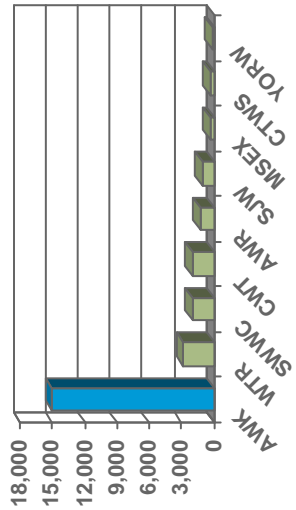
Employees



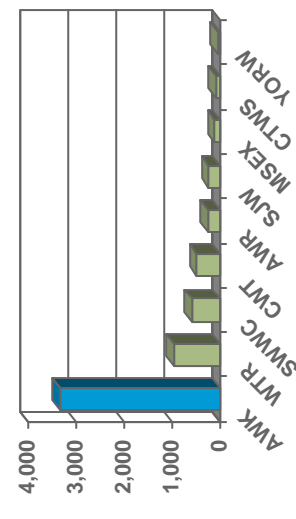
American Water's National Presence



Population Served (in thousands)



Customers (in thousands)



Notes:
 All data is as of December 31, 2008.
 Population served for WTR, CWT, AWR, and CTWS is estimated.

American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services

Executive Management Team



John Young,
President
American Water Services
American Water Works Service Company



Ellen Wolf
Senior Vice President & CFO



Walter Lynch
President Regulated Operations



George Patrick
Senior Vice President, General Counsel
& Secretary



Laura Monica
Senior Vice President
Corporate Communication & External Affairs



William Patterson
Senior Vice President
Corporate and Business Development



Sean Burke
Senior Vice President
Human Resources

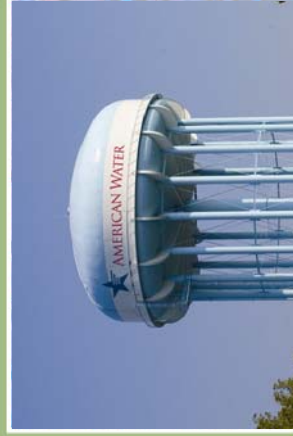


Mark Strauss
President of American Water Enterprises

American Water returns to Public Ownership

IPO April 23, 2008





AMERICAN WATER

American Water Overview

Our Strategic Direction

Realizing Today's Value

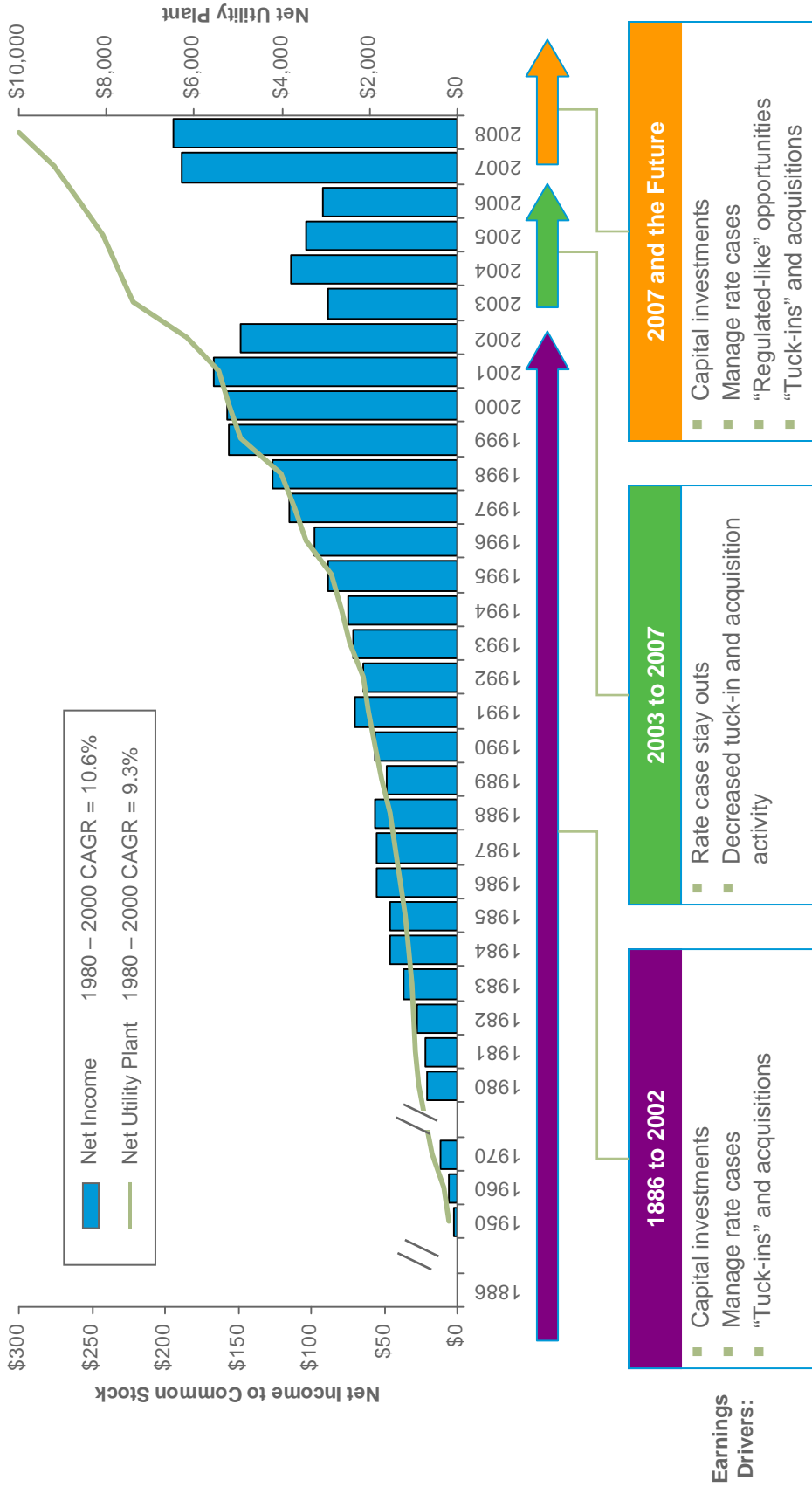
- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through regulatory, weather and economic diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Continue allocation of capital for investments in regulated water and wastewater projects
- Continue growth of Regulated Businesses through focused acquisitions
- Continue to pursue “regulated-like” opportunities & complementary lines of business
- Continue focus on achieving operating efficiencies

The American Water Story

Historical Earnings and Net Utility Plant (\$mm)

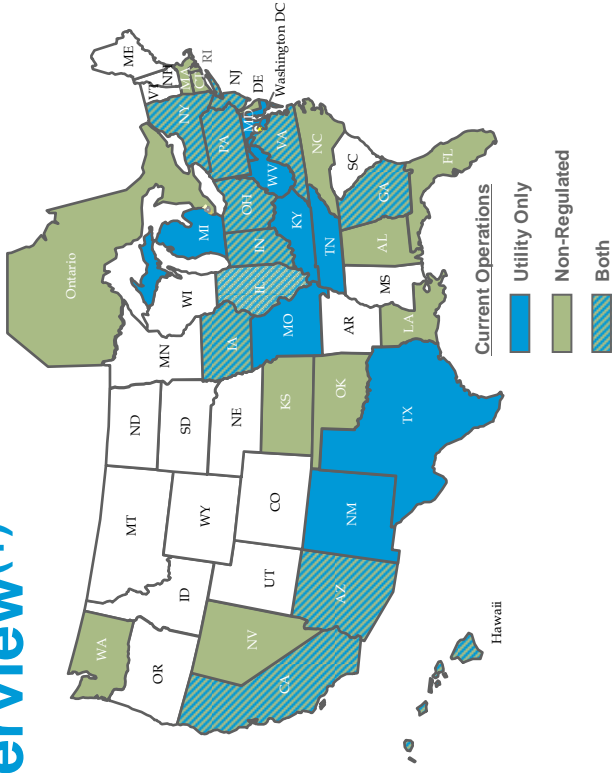


Notes:
 Net income adjusted to remove impact of Impairment charges (2003-2008) and one-time costs for SOX (2006-2008) and Divestiture/Sale and other. Please refer to the Appendix for the Reg G Reconciliation of Adjusted Net Income.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the S-1, which exclude immaterial amounts of non-utility Net PP&E.
 E* Town included from 2003 onward. NEI included from 1999 onward.

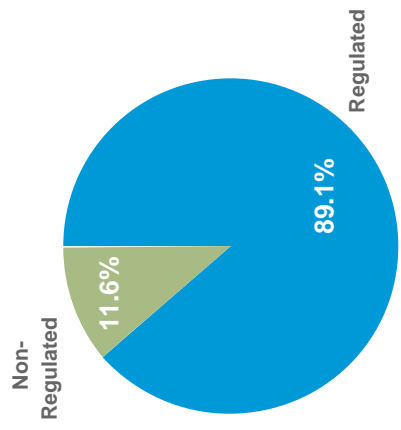
American Water Operations Overview⁽¹⁾

Regulated Businesses:

- \$2,083 mm in Revenues
- \$532 mm in Adjusted EBIT⁽²⁾
- Assets owned⁽³⁾
 - 48,000 miles of mains and collection pipes
 - 600 groundwater and 80 surface water treatment plants
 - 50 wastewater treatment plants
 - 100 dams



2008 Net Operating Revenues



Net Operating Revenues: \$2.3 billion

(1) The below numbers are calculated as of December 31, 2008.

(2) Adjusted EBIT does not represent cash flow for periods presented and should not be considered as an alternative to Net Income as an indicator of the Company's performance. The reconciliation of Adjusted EBIT can be found on page 55 of the 10-K.

(3) Asset data shown is estimated.

Our Non-Regulated Businesses: A Complement to Core Competencies

Water Reuse

- Over 21 projects, 4 states
 - Gillette stadium, MA
 - Solaire building, NY



Desalination

- One operational plant
 - Tampa Bay Seawater Desalination Plant, FL
- One pilot plant
 - Monterey, CA

Design, Build and Operate

- Over 20 projects*
 - Lake Pleasant Plant, AZ
 - Fillmore, CA
 - Carnegie Abbey, RI



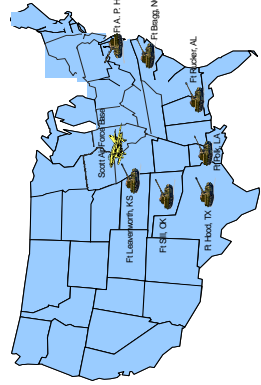
Contract Operations

- Over 300 contracts**
 - Serving 3m people
 - Buffalo, NY
 - Seattle, WA
 - Warren Township, NJ
- ** Includes 268 AWM projects



Military Bases Privatization

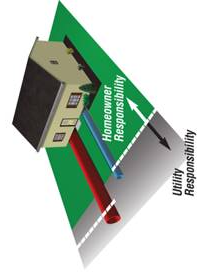
- Fort Leavenworth, KS
- Fort Bragg, NC
- Fort Sill, OK
- Fort Rucker, AL
- Scott Air Force Base, IL
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA

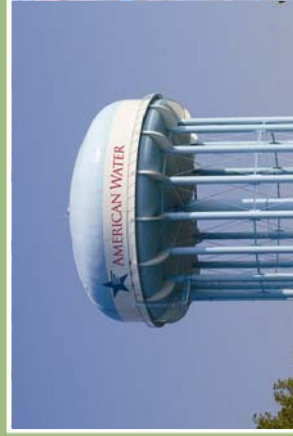


*Includes 15 AWM projects

Homeowner Services

- Over 680,000 contracts
- 16 states



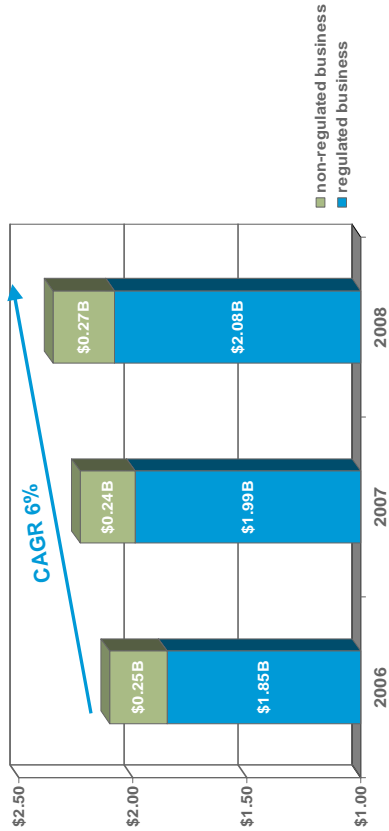


AMERICAN WATER

2008 Highlights

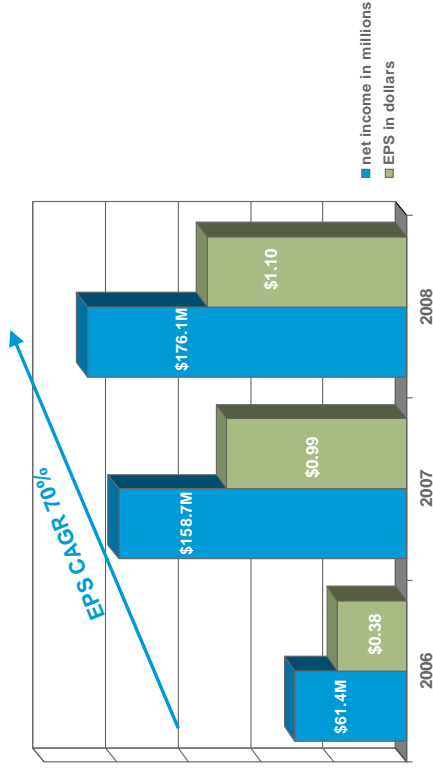
2008 Financial Performance

Operating Revenues (in billions)*



*This table summarizes certain financial information for our Regulated and Non-Regulated Businesses for the periods indicated (without giving effect to inter-segment eliminations).

Net Income and EPS
(excluding goodwill impairment*)



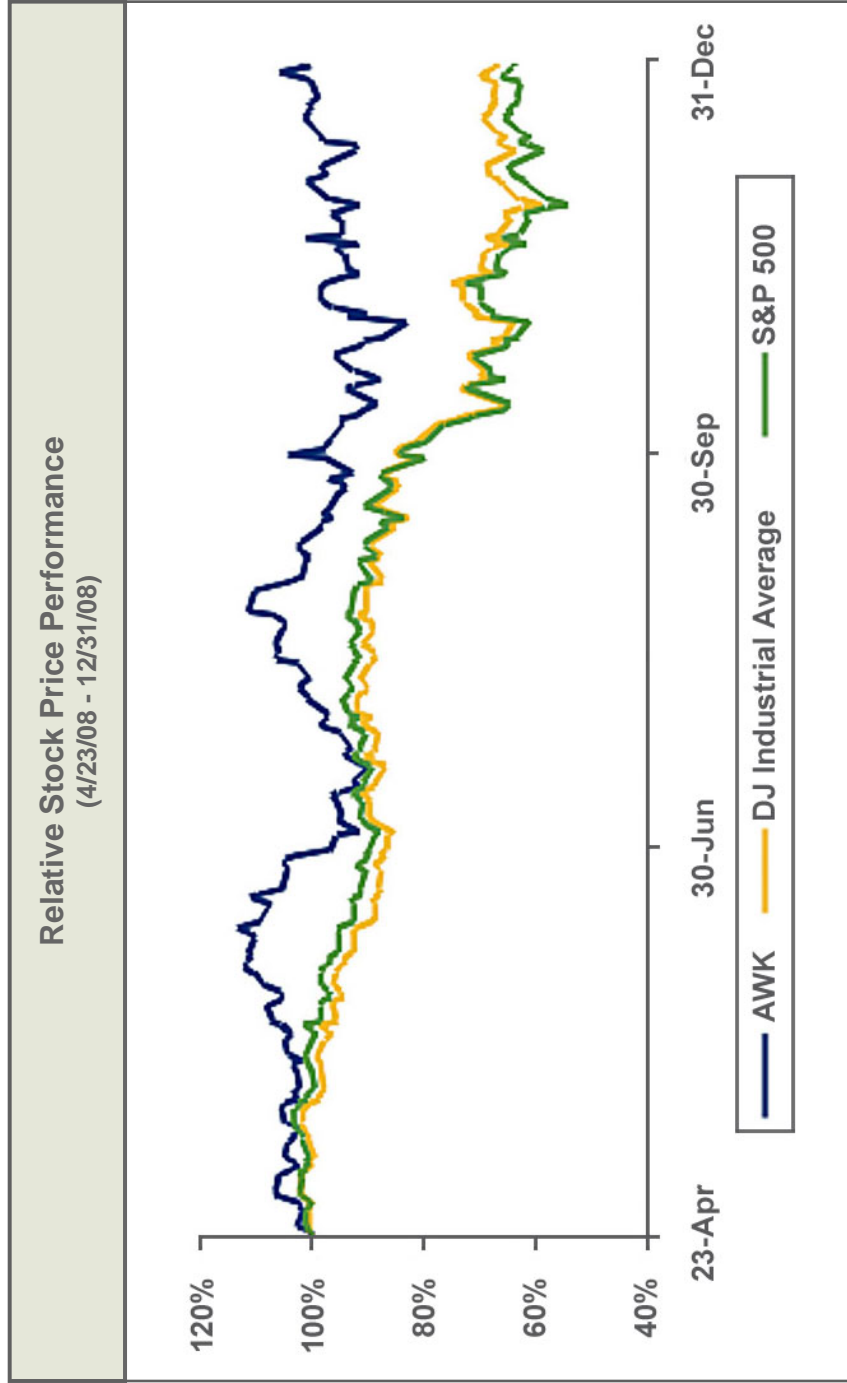
Net Income (Loss from Continuing Operations), and Earnings per Share
(including goodwill)

- Net Loss in \$ millions 2006, 2007, 2008: \$(155.9), \$(342.3), \$(562.4)
- EPS 2006, 2007, 2008: \$(0.97), \$(2.14), \$(3.52) per share

* Non-GAAP Financial Measure

Note: reconciliation table can be found at the end of this presentation

2008 Market Performance





AWK 2008 Accomplishments: Executing on Our Strategy

<ul style="list-style-type: none">▪ Capital Invested<ul style="list-style-type: none">▪ \$1.01 billion as of twelve months ended December 31, 2008▪ Significant plant upgrades and expansions completed in Missouri and New Jersey	
<ul style="list-style-type: none">▪ Earning an Appropriate Rate of Return<ul style="list-style-type: none">▪ \$206.3 million additional annual revenue granted in 2008▪ \$102.7 million in additional annual revenue filed in 2008	
<ul style="list-style-type: none">▪ “Tuck-ins” Acquired<ul style="list-style-type: none">▪ 10 water and wastewater systems (4,938 water and 1,685 wastewater customers)	
<ul style="list-style-type: none">▪ Contracts Awarded<ul style="list-style-type: none">▪ Two 50 year contracts for the O&M of the water and wastewater systems of Fort Polk and Fort Hood	
<ul style="list-style-type: none">▪ Adequate access to Capital for prudent balance of Debt:Equity<ul style="list-style-type: none">▪ \$850 million Credit facility▪ New debt<ul style="list-style-type: none">▪ \$75 million 10% Senior Notes due 2038▪ \$75 million 8.25% Senior Notes due 2038 (occurred in 2009)▪ Use of proceeds from equity will pay short-term debt	
<ul style="list-style-type: none">▪ Consecutive Dividends paid	

American Water in the News in 2008

Industry Awards

- **Tampa Bay Seawater Desalination Plant**
 - GWI “Desalination Plant of the Year”
 - 2008 “Trendsetter” by Public Works magazine
 - NCPPP 2008 Annual Public-Private Partnership Award



- **Buffalo**

- 2008 U.S. Conference of Mayor’s Public-Private Partnership Award



American Water in the News in 2008

Industry Awards

- **Lake Pleasant Design-Build Award**
 - 2009 U.S. Conference of Mayor's Public-Private Partnership Award
- **Solaire**
 - Environmental Business Journal Achievement Award



Enhanced Customer Communications

- **Water Company of the Year by Global Water Intelligence**

- Leader in the Water Industry
- Committed to Delivering Water Solutions

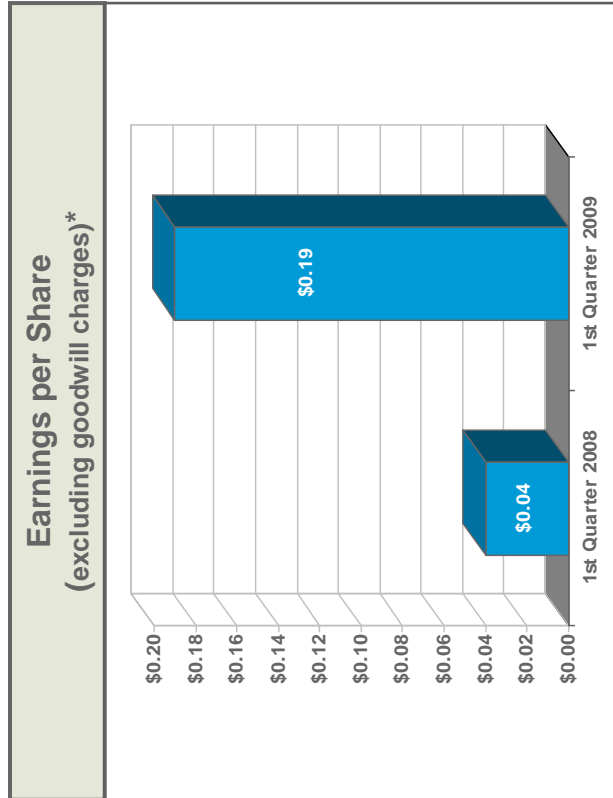
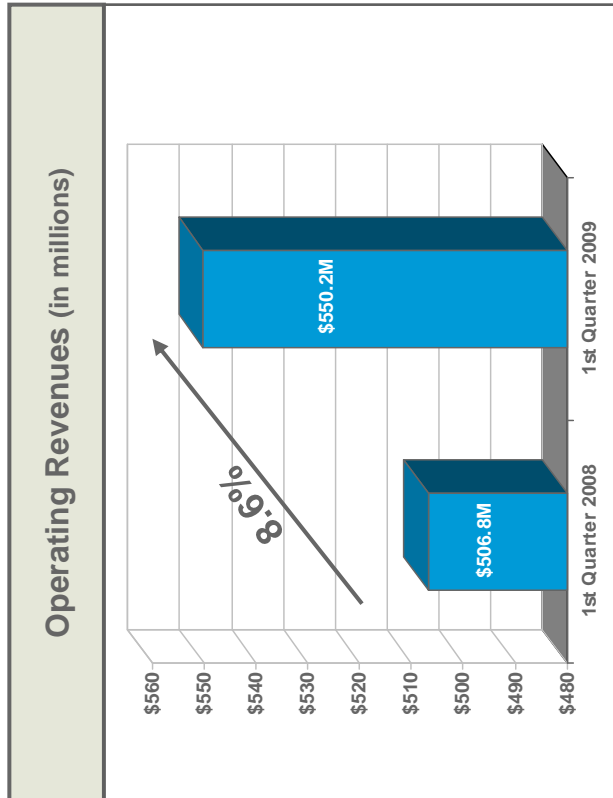




AMERICAN WATER

First Quarter 2009

2009 First Quarter Financial Highlights



Earnings per Share (including goodwill charges)

- 1st Quarter 2008: \$(4.58)/share
- 1st Quarter 2009: \$(2.58)/share

* Non-GAAP Financial Measure

Note: reconciliation table can be found at the end of this presentation

AWK First Quarter Accomplishments: Executing on Our Strategy

Financial and Rate Case Management Achievements

■ Adequate access to Capital for prudent balance of Debt: Equity

- New debt
- \$75 million aggregate principal amount of 8.25 percent Senior Monthly Notes – February 2009
- \$80 million in tax-exempt water facility revenue bonds through the Pennsylvania Economic Development Financing Authority (PEDFA) – April 2009
- Expect to raise approximately \$300 million

■ Capital Investment

- On target to invest in infrastructure between \$4.0 billion and \$4.5 billion in next five years

■ Earning an Appropriate Rate of Return

- \$5.2 million additional annual revenue granted in First Quarter 2009
- \$237.1 million in additional annual revenue filed as of April 30, 2009



AMERICAN WATER

**Future Business Opportunities and
Stockholder Growth**

The US Water Industry continues to face complex needs that require innovative solutions

Drivers	Prospective Solutions
<ul style="list-style-type: none"> ■ Replacement of Infrastructure 	<ul style="list-style-type: none"> ■ Full cost recovery ■ Scale driven efficiency ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Rising environmental and water quality standards 	<ul style="list-style-type: none"> ■ Access to technology which can be provided by private sector
<ul style="list-style-type: none"> ■ Water Supply 	<ul style="list-style-type: none"> ■ Conservation ■ Reuse ■ Desalination ■ Total water management ■ Leak Technology/AMR
<ul style="list-style-type: none"> ■ Fragmentation 	<ul style="list-style-type: none"> ■ Economies of scale ■ Operational Efficiencies Consolidation ■ Public-Private Partnerships
<ul style="list-style-type: none"> ■ Funding for needed investments 	<ul style="list-style-type: none"> ■ Low interest financing ■ Federal Funding ■ Access to Equity and Debt Capital Markets
<ul style="list-style-type: none"> ■ Sound Stewardship 	<ul style="list-style-type: none"> ■ Consolidation ■ Public-Private Partnerships ■ Transparency

The Economic Stimulus Package - Opportunities



The New York Times

“SENATE APPROVES STIMULUS PLAN”

“DEAL REACHED IN CONGRESS ON \$789 BILLION STIMULUS PLAN”



- \$6 billion for drinking water and wastewater infrastructure improvements
- \$15 billion increase in Private Activity Bond cap

Opportunities for American Water

Increased Business Development Opportunities

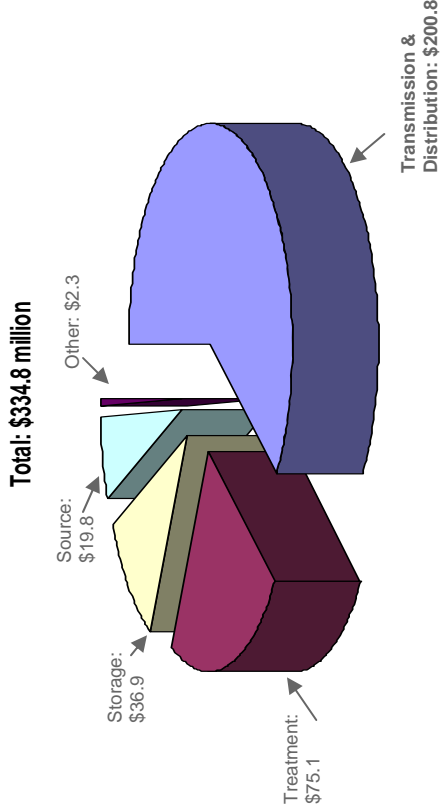
- Collaborate with municipalities on infrastructure projects
- Encourage municipalities to upgrade community water systems

Cash available to Bottom Line

- * Bonus Depreciation Extension
- * AMT Repeal on tax exempt bonds
- * \$98.6 million filed with state PUCs to access SRFs

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

REPORT on America's INFRASTRUCTURE

★ HOME ★ REPORT CARDS ★ STATES ★ CATEGORIES ★ SOLUTIONS ★ TAKE ACTION ★ NEWSROOM ★

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

WATER AND ENVIRONMENT DRINKING WATER **D-** **2009 GRADE**

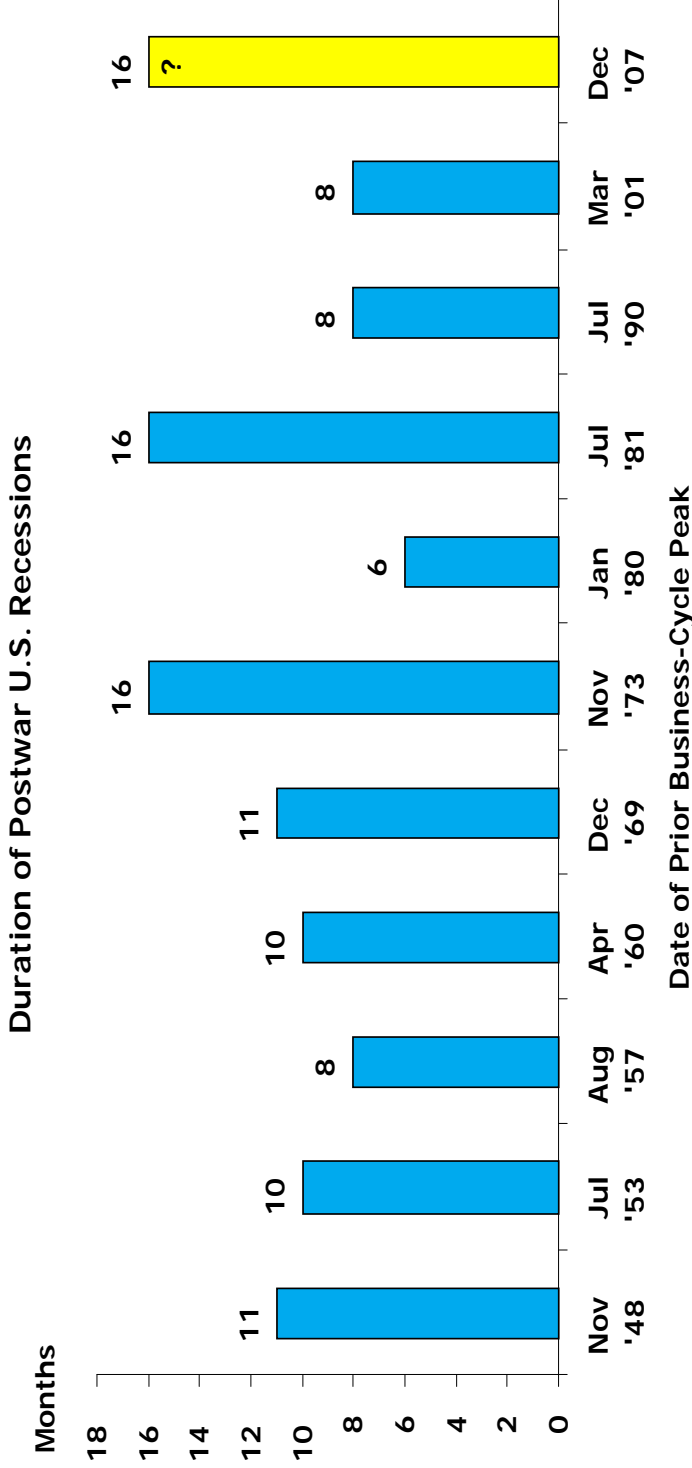
Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

WATER AND ENVIRONMENT WASTEWATER **D-** **2009 GRADE**

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

Current US Recession is already one of the longest, and is affecting all facets of economy

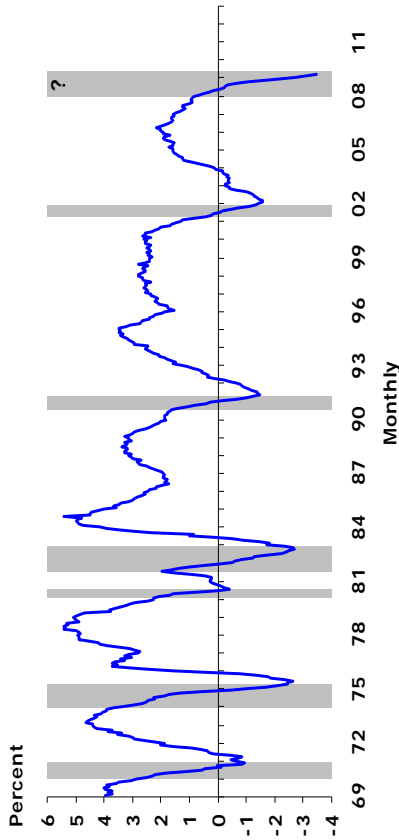


Source: National Bureau of Economic Research.

Current recession began December 2007 and is now the deepest recession since the Great Depression

Reflecting recession effects, Payroll Employment and State and Local Government Balances have fallen dramatically

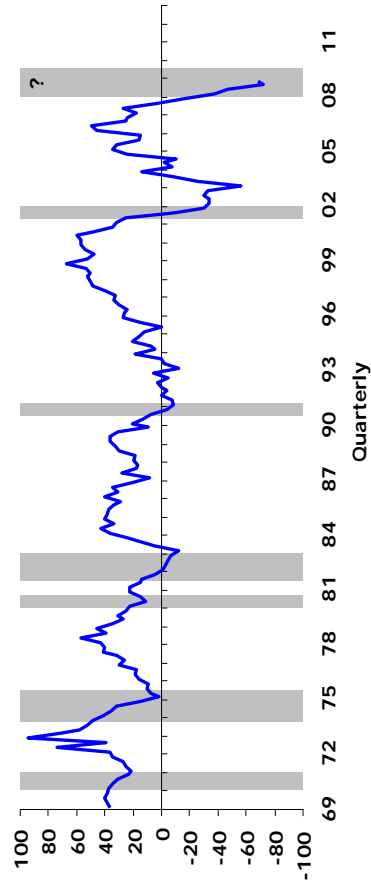
U.S. Payroll Employment
(Percent Change From Same Month of Prior Year)



- Payroll employment fell by 3.5% in March, compared to the same month last year
- Job growth is most important factor in consumer spending, the single biggest portion of U.S. GDP

Shaded Area = Recession.
Sources: U.S. Dept. of Labor, Bureau of Labor Statistics (data), National Bureau of Economic Research (recession dates).

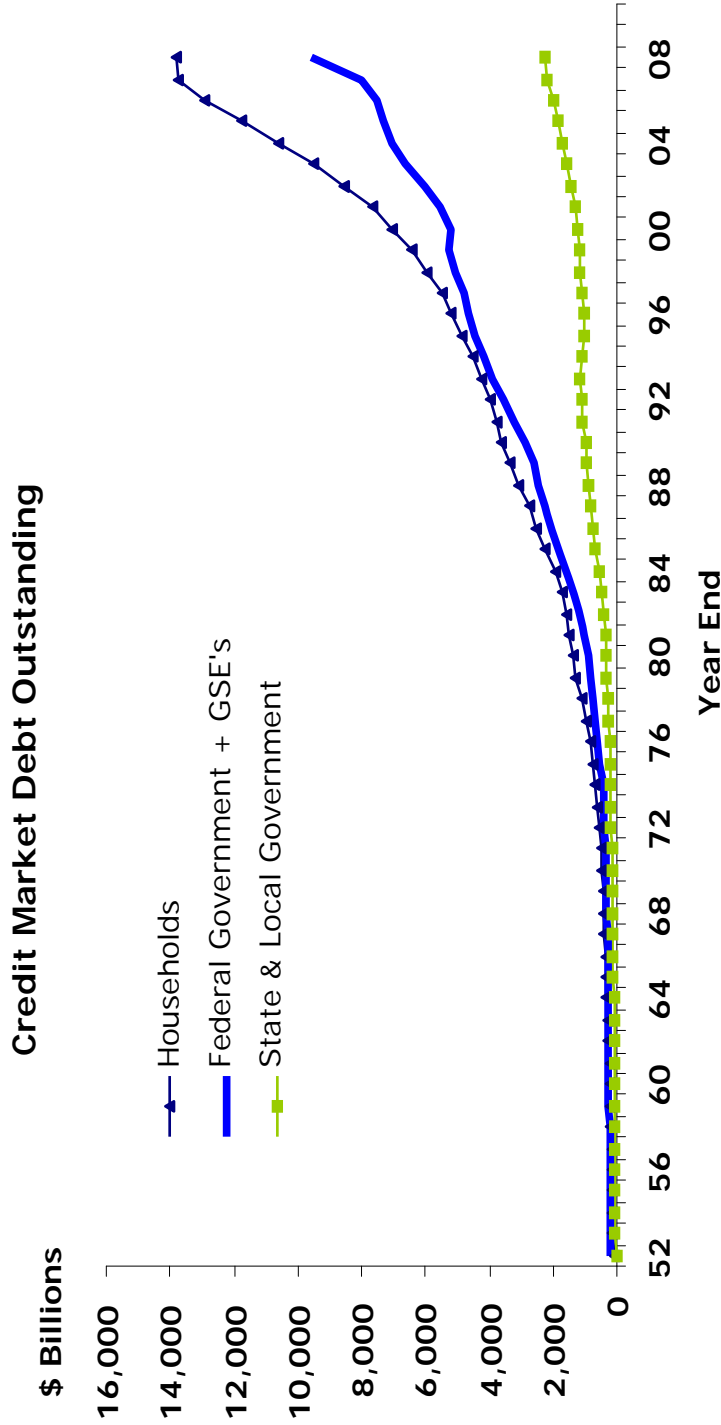
State & Local Government Budget Balances
(Current Receipts Minus Current Spending)



- Job related weakness has affected consumer income and spending to cause an unusually sharp increase in real estate and budget deficits last year
- Largest recorded percentage drop in 50 years

Shaded Area = Recession. Deflated to year 2000
Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis (data), National Bureau of Economic Research (recession dates)

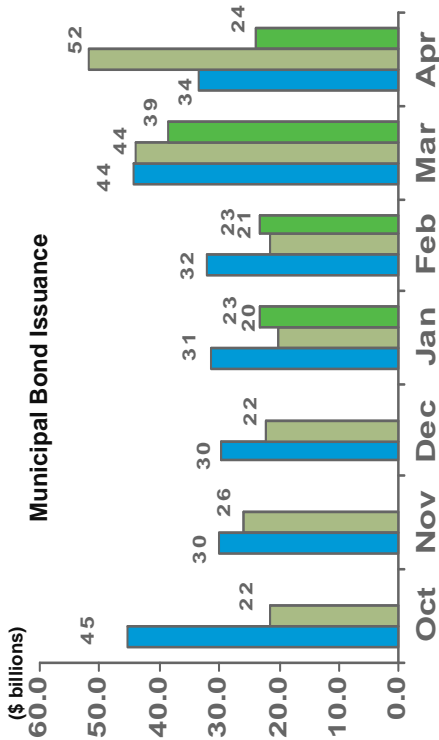
Overall debt outstanding in U.S. has climbed exponentially



Source: Board of Governors of the Federal Reserve System, "Flow of Funds Accounts of the United States".

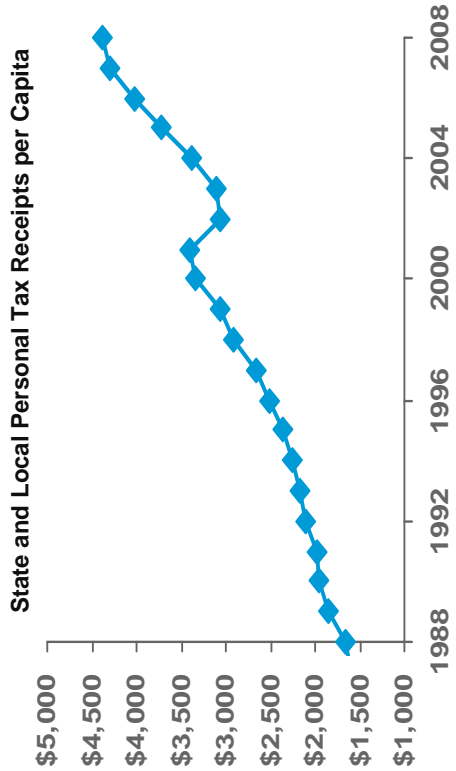
Debt levels have risen steadily since the early 1950s, but with credit markets constrained, higher debt levels will be a challenge

Current US Recession and Capital Markets volatility could impact ability of Municipalities to finance needed Investments



- As a result of market contraction, municipal debt issuance is down sharply
- Current long-term borrowing costs for even top-rated issuers in the tax-exempt marketplace exceed those on taxable securities

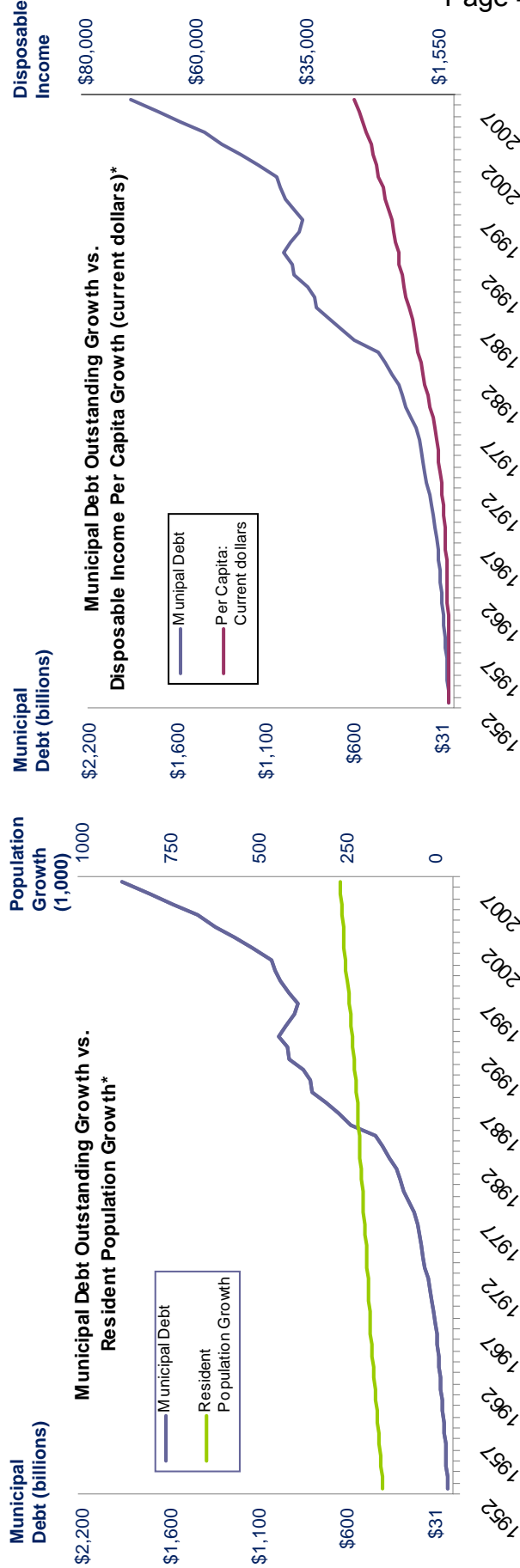
Source: Wall Street Journal Data Center



Source: Wall Street Journal Market Data Center

- Raising taxes to offset funding shortfalls may not be viable amid already high per capita taxation levels
- New Jersey has highest state-local tax burden at 11.8%, followed by New York (11.7%) and Connecticut (11.1%)

Growth in Municipal Debt Has Far Outpaced both Population Growth and Disposable Income



Since 1952, municipal debt has significantly exceeded population growth levels

At the same time, municipal debt has grown close to 3.5x disposable income levels

- All data has been indexed from 1952
- Source: U.S. Census Bureau

Infrastructure Investment: Aiding Economic Recovery, Insuring Sustainability and Creating Shareholder Value

Impact of the Economic Crisis on U.S. Municipalities

Loss of jobs/Loss of economic development and growth

Limited access to operating cash/expensive short-term borrowing

Access to Credit Denied/Delayed/Costly
– capital projects delayed

Lost Values in Pension Funds and 401K retirement accounts

Foreclosures and Housing Values
= lost property tax revenue

Expanded focus on Public Private Partnerships

How Infrastructure Investment Benefits American Water

- Investment in infrastructure expands economy's productive capacity
- Investment in water and sewer infrastructure yields positive returns
- One dollar of water and sewer infrastructure investment increases long-term GDP \$6.35*
- Each additional dollar of water and sewer industry revenue increases revenue in all industries by \$2.62 in that year*
- \$6 billion in infrastructure investment yields 244,000 jobs annually*
- American Water brings the capital, efficiencies and innovations of the private sector to any municipal partnership

**Source: Cadmus Report released at the US Conference of Mayors (August 2008)*



**WE CARE ABOUT WATER.
IT'S WHAT WE DO.**

**AWK
LISTED
NYSE®**

Adjusted EBITDA Reconciliation – Slide 8

	Historical					
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666
Other (Condemnation/Regulatory Approvals)	0	0	0	29,826	10,465	6,859
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	285,155
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,759)	(14,497)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,449)	(8,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$657,141	\$740,708	\$764,268	\$787,128	\$848,790	\$869,263

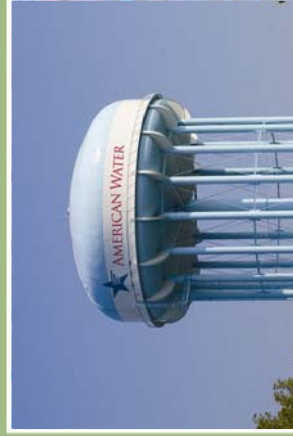
Adjusted Net Income Reconciliation

	Historical					
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475
SOX Implementation Costs	0	0	0	9,394	19,179	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116
Adjusted Net Income from Continuing Operations	\$87,898	\$114,376	\$102,927	\$92,868	\$189,547	\$194,048

Net Income Excluding Impairment Charge for slide 18 (A Non-GAAP, Unaudited Number)

\$ In thousands

	Three Months Ended March 31,	
	2009	2008
Net loss	\$ (413,079)	\$ (732,484)
Add: Impairment charge	450,000	750,000
Net income excluding impairment charge before associated tax benefit	36,921	17,516
Less: Income tax benefit relating to impairment charge	6,976	11,525
Net income excluding impairment charge	\$ 29,945	\$ 5,991
Basic earnings per common share excluding impairment charge:	\$ 0.19	\$ 0.04
Diluted earnings per common share excluding impairment charge:	\$ 0.19	\$ 0.04



AMERICAN WATER

2009 First Quarter Conference Call

May 6, 2009

American Water Participants

- **Donald L. Correll**
President and Chief Executive Officer
- **Ellen C. Wolf**
Senior Vice President and Chief Financial Officer
- **Edward D. Vallejo**
Vice President Investor Relations



Edward D. Vallejo

Vice President Investor Relations

Cautionary statement concerning forward-looking statements

Statements in this release that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as weather conditions, patterns or events, including drought or abnormally high rainfall, changes in general economic, business and financial market conditions, fluctuations in the value of benefit plan assets and liabilities that could increase our costs and funding requirements, changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies, the decisions of governmental and regulatory bodies, including decisions to raise or lower rates, the timeliness of regulatory commissions’ actions concerning rates, migration into or out of our service territories, our ability to obtain permits for expansion projects, changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, the availability of adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations, our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business, our ability to manage the expansion of our business, our ability to control operating expenses and to achieve efficiencies in our operations, access to sufficient capital on satisfactory terms, fluctuations in interest rates, restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends, changes in our credit rating, changes in capital requirements, the incurrence of impairment charges, difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions, ability to retain and attract qualified employees, cost overruns relating to improvements or the expansion of our operations, and civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water’s business, please refer to American Water’s SEC filings, including the information in Item 1A - “Risk Factors” in American Water’s Annual Report on Form 10-K for the year ended December 31, 2008.

The Company undertakes no duty to update any forward-looking statement.



Donald L. Correll

President and Chief Executive Officer

American Water's Annual Report "Goes Green" at www.amwater.com



AMERICAN WATER

2008 ANNUAL REPORT
[form 10-K](#) [proxy voting](#) [return to intro](#)

WELCOME

Explore the video library to learn about American Water, our accomplishments in 2008, and our plans for the future. Along the way, you will meet some of the approximately 7,000 people who are working to make a difference for our company and our customers every day.

[video library](#) [about American Water](#) [links and downloads](#)



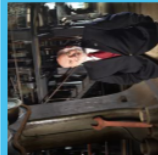
2008 HIGHLIGHTS



FINANCIAL SUMMARY



INVESTING IN OUR SYSTEMS



MARKET OPPORTUNITIES AND STRATEGY FOR SUSTAINABLE GROWTH



REBRANDING, REPOSITIONING AND RELAUNCHING AMERICAN WATER



CORPORATE RESPONSIBILITY



COMMON INVESTOR QUESTIONS

reNEW

Our Strategic Direction

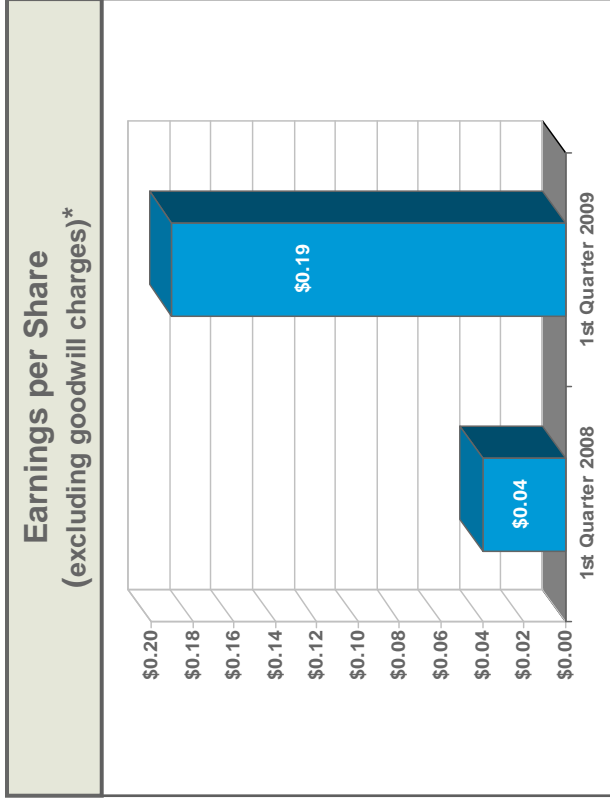
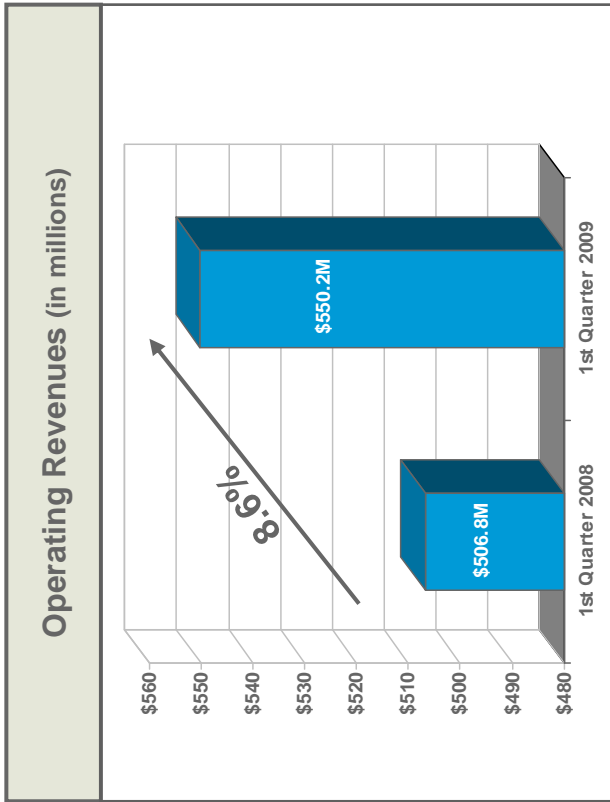
Realizing Today's Value

- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through regulatory, weather and economic diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Continue allocation of capital for investments in regulated water and wastewater projects
- Continue growth of Regulated Businesses through focused acquisitions
- Continue to pursue “regulated-like” opportunities & complementary lines of business
- Continue focus on achieving operating efficiencies

2009 First Quarter Financial Highlights



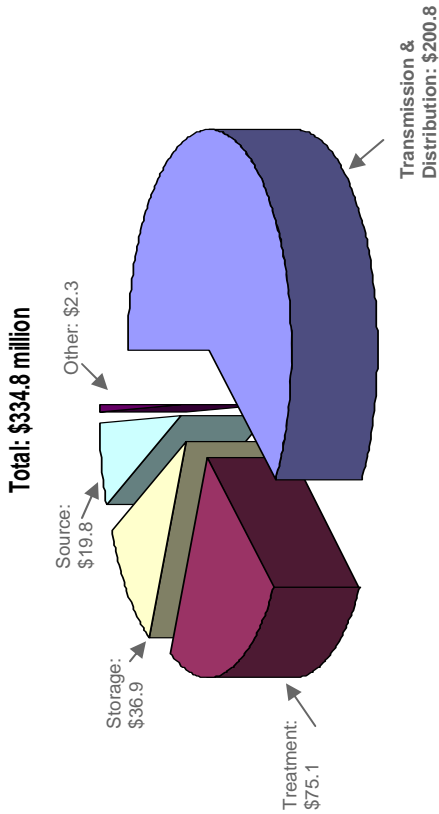
Earnings per Share (including goodwill charges)

- 1st Quarter 2008: \$(4.58)/share
- 1st Quarter 2009: \$(2.58)/share

* Non-GAAP Financial Measure

Aging US Infrastructure Investment Remains Critical

U.S. EPA Estimated 20 Year Total Needs of US public water systems



- 2009: \$335 billion
- 2005: \$277 billion
- 2002: \$154 billion

American Society of Civil Engineers (ASCE) grades US infrastructure

Drinking Water America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

Wastewater Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$380 billion over the next 20 years to update or replace existing systems and build new ones to meet increasing demand.

- 2009 Grade: D-
- 2005 Grade: D-
- 2001 Grade: D

Source: U.S. Environmental Protection Agency's 2007 Drinking Water Infrastructure Needs Survey and Assessment
In billions, adjusted to January 2007 dollars

American Water – Trenton Agreement

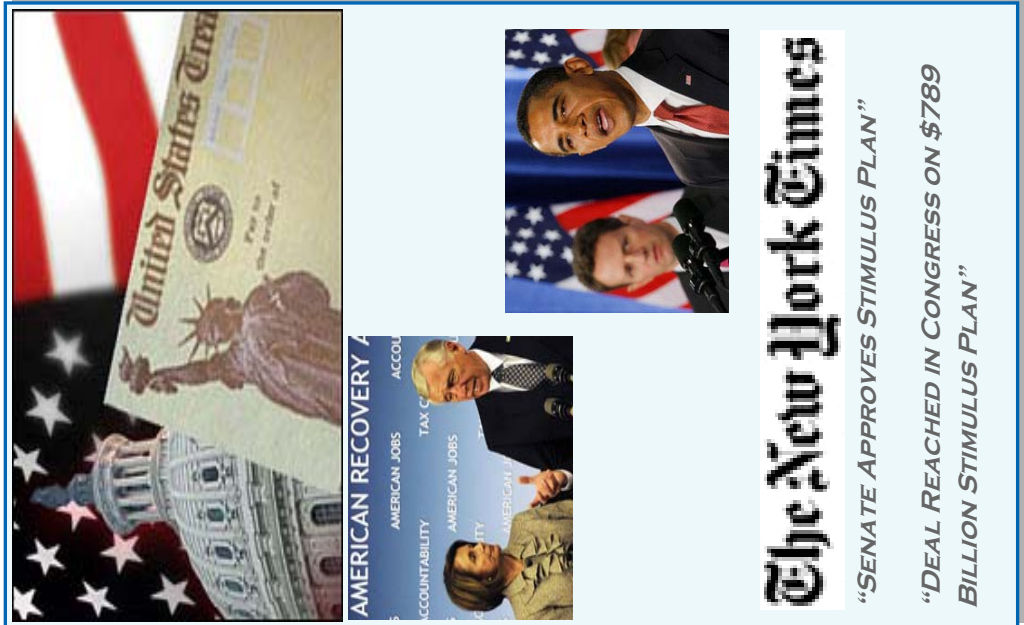
- **BPU Approval in April**
- **Agreement of Sale: \$80 million**
 - Asset acquisition: \$75 million
 - Consulting services: \$5 million
- **New Communities and Customers**
 - 40,000 customer accounts
 - 460 miles of water mains
 - Townships
 - Ewing
 - Hamilton
 - Lawrence
 - Hopewell



"This is a model of great public-private partnership that helps everyone," Palmer said. "The future will show how this really helps everyone."

Trenton Mayor Douglas Palmer
The Times of Trenton
Monday January 05, 2009

The 2009 Stimulus Act – Opportunities for American Water



\$789 Billion
Total Stimulus Package

\$21 Billion
Total for Water Infrastructure

- \$6 Billion for drinking water and wastewater infrastructure improvements
- \$15 Billion increase in Private Activity Bond cap

Opportunities for American Water

Increased Business Development Opportunities

- Collaborate with municipalities on infrastructure projects
- Encourage municipalities to upgrade community water systems

Cash Flow Benefits

- * Bonus Depreciation Extension
- * AMT Repeal on tax exempt bonds

AWK First Quarter Accomplishments: Executing on Our Strategy

Financial and Rate Case Management Achievements

- **Adequate access to Capital for prudent balance of Debt: Equity**
 - New debt
 - \$75 million aggregate principal amount of 8.25 percent Senior Monthly Notes – February 2009
 - \$80 million in tax-exempt water facility revenue bonds through the Pennsylvania Economic Development Financing Authority (PEDFA) – April 2009
 - Expect to raise approximately \$300 million

Capital Investment

- On target to invest in infrastructure between \$4.0 billion and \$4.5 billion in next five years

Rate Cases Granted

- \$5.2 million additional annual revenue granted in First Quarter 2009

Rate Cases Filed as of April 30, 2009

- \$237.1 million in additional annual revenue including:
 - Pennsylvania, Indiana, Iowa and Maryland filed in the second quarter



American Water News

Senior Management Appointment

- Bill Patterson: Senior Vice President – Corporate and Business Development



Growth

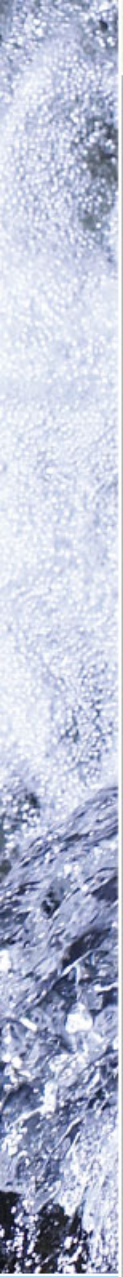
- Warren Township Sewerage Authority
 - Population of 14,000
 - AWM's largest contract
- Homeowner Services
 - Offering services in 16 states



Industry Awards

- **Lake Pleasant Design-Build Award**
 - 2009 U.S. Conference of Mayor's Public-Private Partnership Award
- **Solaire**
 - Environmental Business Journal Achievement Award
- **Enhanced Customer Communications and New Brand**





American Water News

- **“Water Company of the Year” by GWI**
 - Outperformance of S&P 500
 - Military contracts in Texas and Louisiana
 - Successes in regulatory process
- **Consecutive Dividends**
 - Declared four quarterly dividends since IPO
 - Fourth dividend of \$.20 to be paid in June





AMERICAN WATER



**Ellen C. Wolf
Senior Vice President
and Chief Financial Officer**

Net Income (Loss) Summary

	For the Three Months Ended	
	March 31	2008
	2009	2008
	<i>(In thousands, except per share data)</i>	
Net loss to common (including impairment charge)	(\$413,079)	(\$732,484)
Impairment charge, net of tax	\$443,024	\$738,475
Net income excluding impairment charge*	\$29,945	\$5,991
Common dividends paid	\$32,072	--
Average common shares outstanding during the period, diluted	160,011	160,000
Loss per share	(\$2.58)	(\$4.58)
Earnings per common share (excluding goodwill impairment)*	\$0.19	\$0.04

*Table included separately that reconciles the non-GAAP financial measures



Goodwill Impairment

- **Basis of Goodwill**
 - RWE's acquisition of American Water (AWK) in 2003
 - Premium paid by RWE recorded on AWK's books
 - Tested annually or more often if triggering event occurs
- **First quarter 2009 review**
 - Business fundamentals strong
 - Sustained decline of AWK stock caused triggering event
- **Impairment calculation**
 - Amount primarily determined by
 - Stock price decline
 - Debt value – interest rate change
- **Non-cash impact**



Equity Requirements

- Timing will be driven by equity capital needs and market conditions
- Goodwill impairment does not alter our timing or amount
- 45-50% equity to total capital ratio is a long-term goal
- Increase in equity driven by
 - Net income
 - Equity issuance
 - Prudency of capital program

Revenue Breakdown

	<u>(\$ in Millions)</u>
Revenues for the Three Months Ended March 31, 2008	\$506.8
Increase due to rate authorizations	43.4
Increase in surcharges and balancing accounts	3.7
Decrease due to water consumption	(2.0)
Decrease in Contract Operations	(3.2)
Other, net	<u>1.5</u>
Revenues for the Three Months Ended March 31, 2009	<u><u>\$550.2</u></u>

Rate Case Summary

General Rate Cases Finalized in 2008 and 2009

	Docket / Case Number	Amount		ROE Requested	Effective Date for new rates	Actual ROE		Actual Amount Granted	Rate Base (Filed / Approved)
		Date Filed	Filed			Granted	Granted		
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7	
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6	
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3	
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7	
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7	
California (Sacram., etc)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0	
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3	
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4	
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8	
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1	
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7	
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5	
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1	
Pennsylvania (WW)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5	
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0	
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7	

- Infrastructure charges January 1, 2008 through March 31, 2009 of \$25.2 million
- Infrastructure charges through April 30, 2009 of \$31.4 million
- Surcharges were finalized in 2009 which will provide annual revenue of \$12.8 million

General Rate Cases Awaiting Final order as of April 30, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Effective Date for new rates</u>	<u>Actual ROE Granted</u>	<u>Actual Amount Granted</u>	<u>Rate Base (Filed / Approved)</u>
Hawaii ***	2007-0180	11/1/2007	\$1.3	10.60%	TBD	TBD	TBD	\$24.9
Texas **	2008-0910-UCR	2/21/2008	\$0.9	12.00%	TBD	TBD	TBD	\$6.7
California * (Monterey)	A 08-01-023, 027	1/30/2008	\$37.1	11.50%	TBD	TBD	TBD	TBD
California * (General Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	TBD	TBD	TBD	TBD
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	TBD	TBD	TBD	TBD
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	TBD	TBD	TBD	\$203.3
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	TBD	TBD	TBD	\$31.4
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	TBD	TBD	TBD	\$305.5

Filed in 2009

California **** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	TBD	TBD	TBD	\$215.8
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	TBD	TBD	TBD	\$1,861.3
Iowa	RPU-09-TBD	4/30/2009	\$9.4	12.20%	TBD	TBD	TBD	\$86.7
Indiana	43680	4/30/2009	\$46.9	12.00%	TBD	TBD	TBD	\$670.5
Maryland	TBD	4/30/2009	\$0.8	11.75%	TBD	TBD	TBD	\$11.8

* Calif. Rate increase amount includes step increases of \$7.2m effective in 2010, and \$8.1m effective 2011.

** Temporary rates for Texas implemented (\$0.4m add'l annual revenues) during June 2008, and will be subject to adjustment upon issuance of rate order from commission.

*** Interim rates for Hawaii implemented (\$0.7m add'l annual revenues) during October 2008, and will be subject to adjustment upon issuance of final order from commission.

**** Calif. Rate increase amount includes test year (2010) increase of \$26.1m, and step increase of \$6.6m effective in escalation year of 2011.

Comparison of Water Sales Volumes First Quarter 2009 compared with First Quarter 2008

<u>Customer Class</u>	<u>Water Sales Volumes</u> (In Millions of Gallons)		<u>Increase (Decrease)</u>	<u>Percentage</u>
	<u>2009.0</u>	<u>2008.0</u>		
Residential	44,554	45,244	(690)	(1.5) %
Commercial	18,229	18,917	(688)	(3.6) %
Industrial	8,629	9,908	(1,279)	(12.9) %
Public & Other	12,613	12,959	(346)	(2.7) %
Total	84,025	87,028	(3,003)	(3.5) %

Operating Expense Breakdown

	(\$ in Millions)
Operating Expenses for the Three Months Ended March 31, 2008	<u>\$1,177.2</u>
Decrease in Impairment Charge	(300.0)
Increase in Employee Related Costs	5.8
Increase in Production Costs	4.8
Decrease in Operating Supplies & Services	(12.7)
- Divestiture	(\$2.9)
- SOX and remediation	(\$6.0)
Decrease in Maintenance Materials & Services	(2.7)
Increase in Customer Accounting & Billing	3.4
Increase in Depreciation & Amortization	4.9
Other, net, including insurance and regulatory costs	4.7
Operating Expenses for the Three Months Ended March 31, 2009	<u><u>\$885.5</u></u>

1st Quarter 2009- Liquidity and Capital Resources

- **Cash Flows from Investing Activities**
 - Capital expenditures \$196.2 million
 - Relatively consistent with \$188.4 million in 2008
 - Driven by infrastructure needs
- **Cash Flows from Operating Activities**
 - First quarter 2009 operations - \$142.5 million
 - Increased from the prior year - \$57.1 million
- **Financing Activities**
 - \$850.0 million senior unsecured credit facility accessed
 - \$256.9 million Commercial Paper outstanding at March 31, 2009
 - \$370.0 million outstanding on revolving credit line at March 31, 2009
- **Debt Offerings**
 - \$75.0 million in a public debt offering completed in February, 2009
 - \$80.0 million of Pennsylvania tax-exempt water facility revenue bonds
 - Application for State Revolving Loan Funds \$98.6 million

Dividends Paid – Return on Shareholder Investment

- **Declared four quarterly dividends since IPO**
 - Declared and paid three dividends
 - Declared fourth dividend on April 30 to pay out June 1, 2009
- **Dividend policy**
 - Quarterly basis
 - Payout ratio in the 50 percent to 70 percent range of Net Income, prior to impairments
 - Subject to approval by American Water’s Board of Directors
- **Committed to meeting shareholders’ expectations**

Key Highlights

Recognized Market Leader
*with geographic diversity,
national presence and local
relationships*

Strong Visible Growth
*driven by infrastructure
investment, earning
appropriate returns and
consolidation opportunities*

Favorable Risk Profile
*of water utility industry with
supportive regulatory
environment*

Proven Management
*with deep water utility
industry expertise*



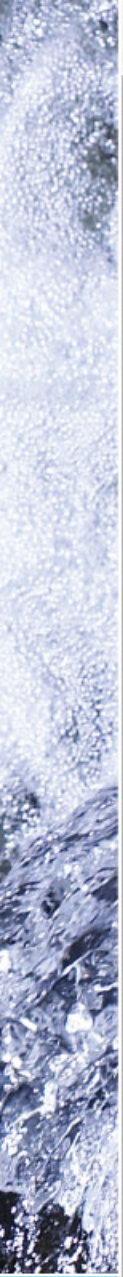
AMERICAN WATER



Questions and Answers

AWK
LISTED
NYSE

**WE CARE ABOUT WATER.
IT'S WHAT WE DO.**



Net Income Excluding Impairment Charge (A Non-GAAP, Unaudited Number) \$ In thousands

	Three Months Ended March 31,	
	2009	2008
Net loss	\$ (413,079)	\$ (732,484)
Add: Impairment charge	450,000	750,000
Net income excluding impairment charge before associated tax benefit	36,921	17,516
Less: Income tax benefit relating to impairment charge	6,976	11,525
Net income excluding impairment charge	<u>\$ 29,945</u>	<u>\$ 5,991</u>
Basic earnings per common share excluding impairment charge:	<u>\$ 0.19</u>	<u>\$ 0.04</u>
Diluted earnings per common share excluding impairment charge:	<u>\$ 0.19</u>	<u>\$ 0.04</u>



AMERICAN WATER
Rating Agency Presentation
November 24, 2009



Agenda

- **Our Company** Don Correll
- **Industry Fundamentals** Don Correll
- **2009 Performance Highlights** Ellen Wolf
- **Business Plan** Ellen Wolf
- **Key Credit Strengths** James Kalinovich
- **Enterprise Risk Management** James Kalinovich



Our Company

Don Correll



American Water Vision, Goal and Strategy

Our Vision:

- To be US trusted water resource company, dedicated to delivering innovative solutions

Our Goal:

- To consistently provide customers with safe, high quality drinking water and reliable water and wastewater services.

Our Strategy:

- Continuing to invest prudently in regulated water and wastewater infrastructure projects
- Earning an appropriate rate of return on our investments from state PUCs
- Growing our Regulated Businesses through acquisitions
- Continuing to pursue public/private partnerships, including O&M and military contracts and services, and other non-regulated businesses that are complementary to our Regulated Businesses



Strategic Vision

Realizing Today's Value

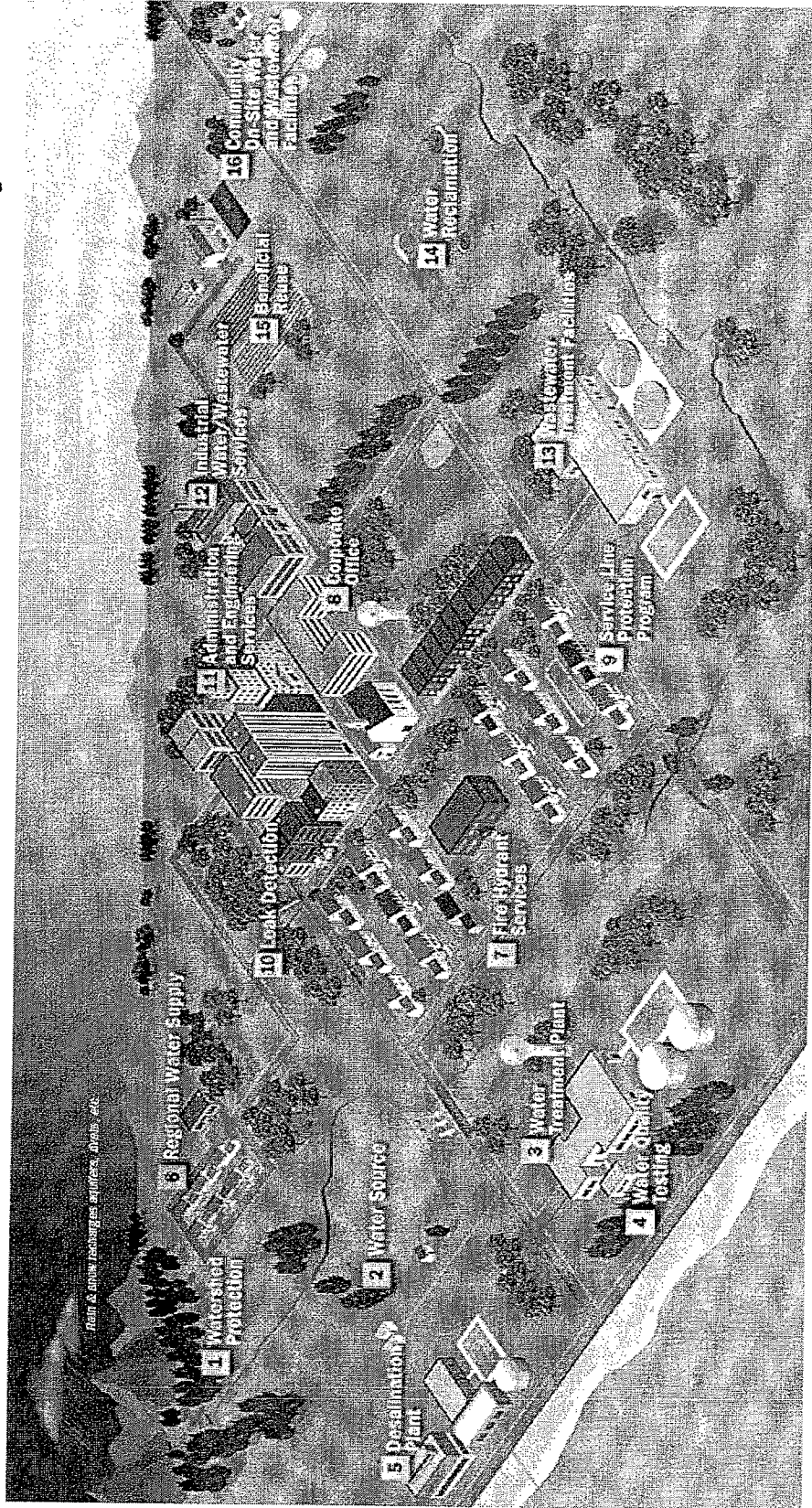
- Earn an appropriate rate of return on our investments
- Promote constructive regulatory frameworks
- Attain consistent and predictable financial performance through regulatory, weather and economic diversity
- Realize operating efficiencies through economies of scale and management of expenses

Investing for Long Term Growth

- Continue allocation of capital for investments in regulated water and wastewater projects
- Continue growth of Regulated Businesses through focused acquisitions
- Continue to pursue "regulated-like" opportunities & complementary lines of business
- Continue focus on operating efficiencies



American Water's Business – The Integrated Water Cycle



Our goal is to consistently provide customers with safe, high-quality drinking water and reliable water & wastewater services



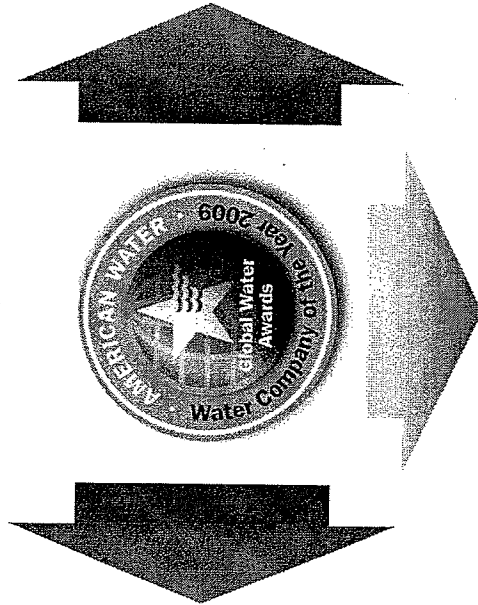
American Water

American Water will remain first, foremost and fundamentally a water utility

- Regulated Operations provide +/- 90% Revenues; +/- 95% Operating income; 99% Assets

Regulated Operations

- Continued rate case activity
- Continued infrastructure investment
- Continued customer service/operational improvement focus
- Customer growth driven by coordinated business development activities



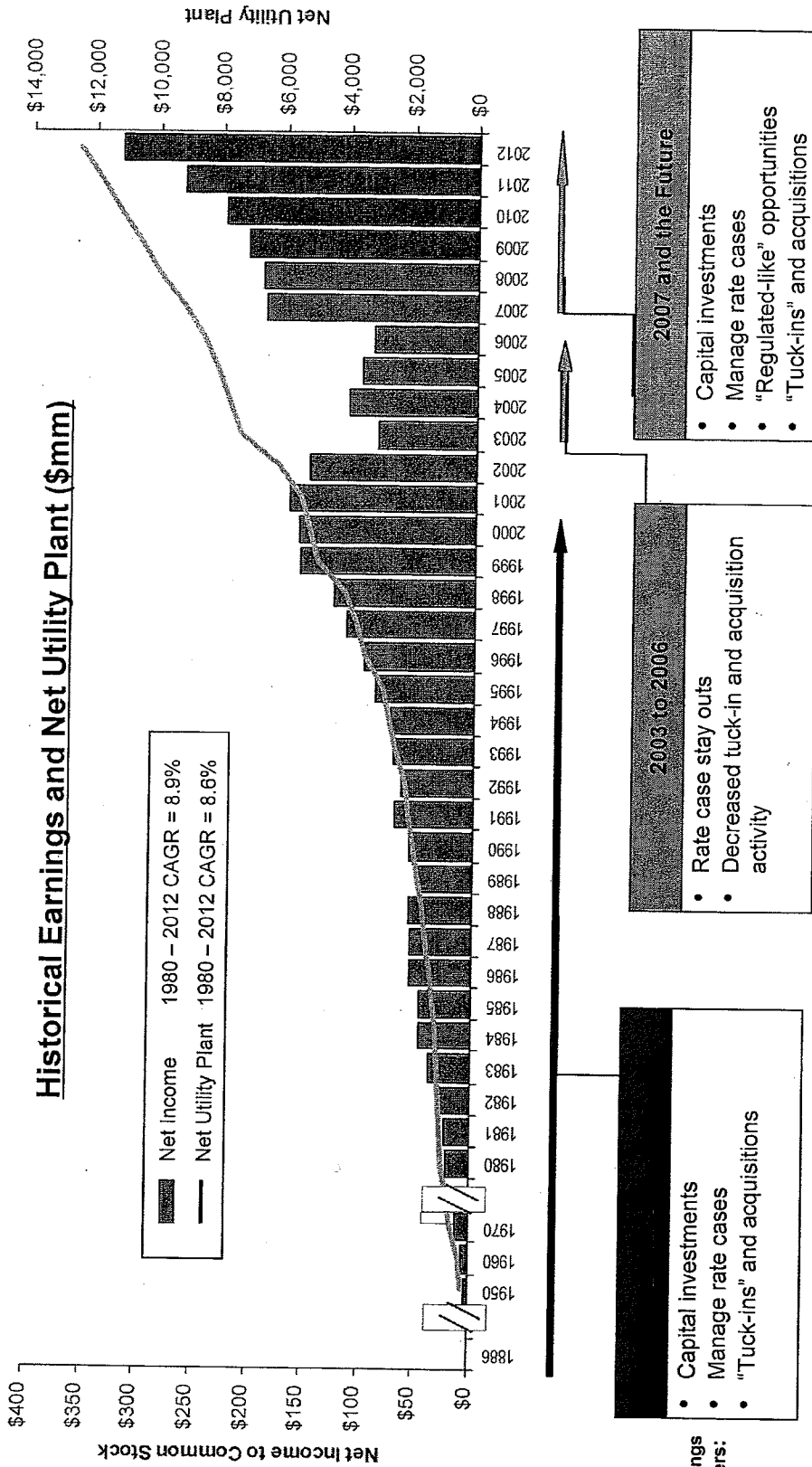
Non-Regulated Operations

- "Regulated-like" and complementary water service businesses
- Growth consistent with evolving, business development "water solutions provider" driven activities

- Annual revenues of \$2.337 billion
- Annual EPS growth of 7-10 %
- Improving financial profile
- Premier water solutions provider



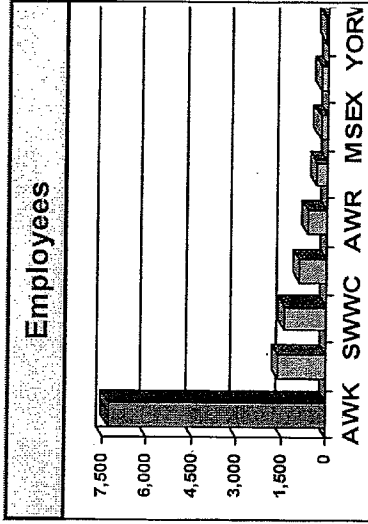
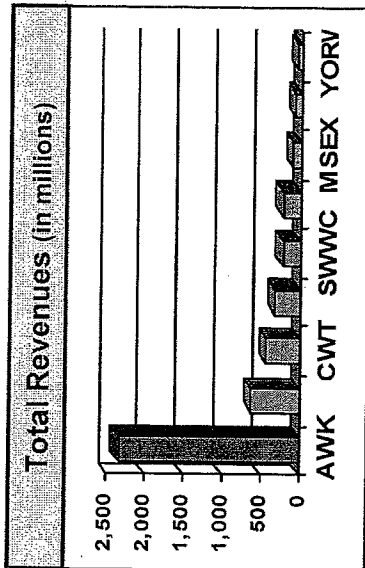
The American Water Story



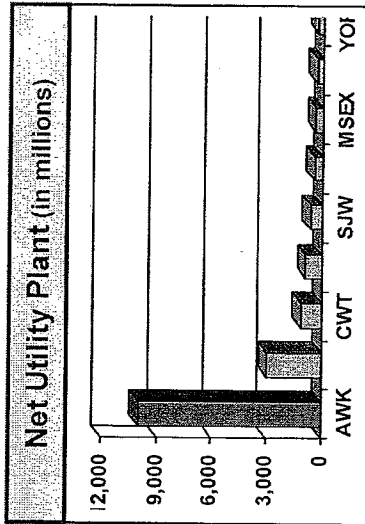
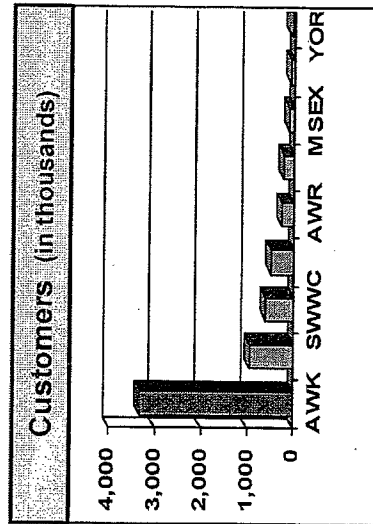
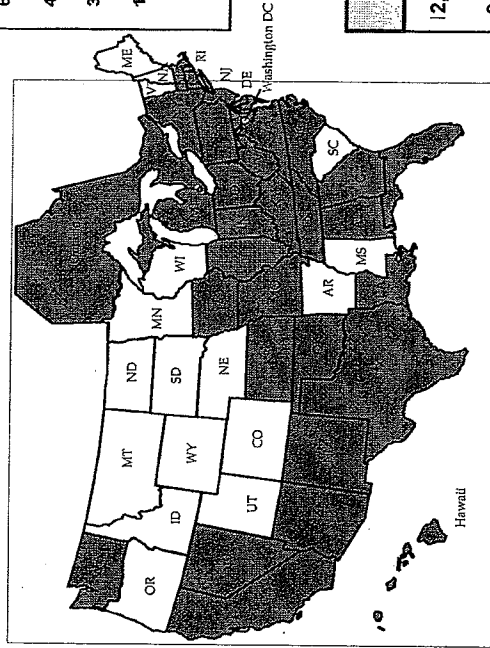
Notes:
 Net Income adjusted to remove impact of impairment charges (2003-2008) and one-time costs for SOX (2006-2008, Divestiture/Sale and other.
 Net Utility Plant reflects Net Property, Plant & Equipment amounts per the financial statements, which exclude immaterial amounts of non-utility Net PP&E.
 E-Town included from 2003 onward. NEI included from 1999 onward.



The Largest Water Services Provider in North America



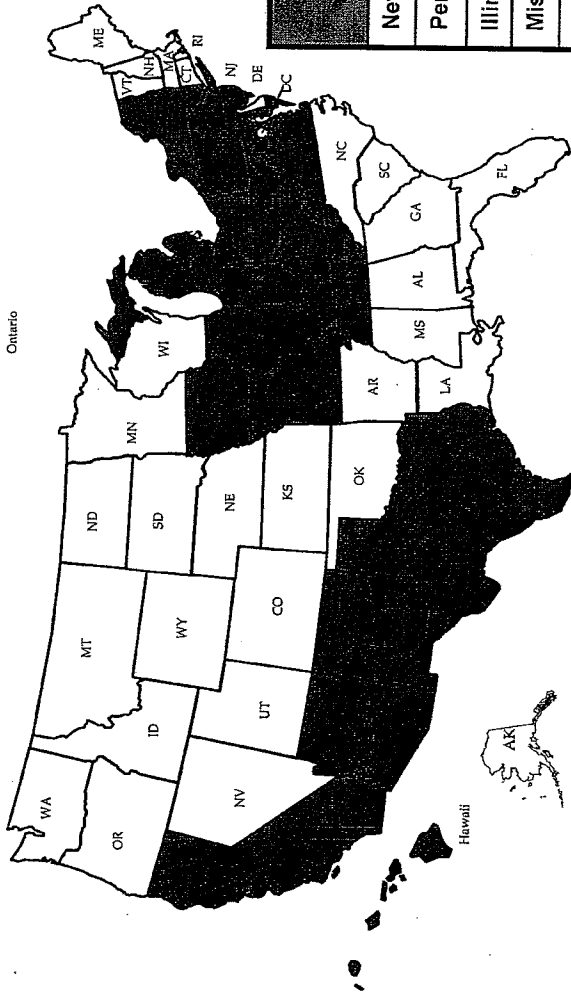
American Water's National Presence



Note: All data is as of December 31, 2008.



American Water's Regulated Presence



State	Customers Served	% of Total	2008 Revenues (\$Mill)	% of Total
New Jersey	643,330	19%	\$517.7	25%
Pennsylvania	648,958	20%	447.9	22%
Illinois	307,734	9%	187.5	9%
Missouri	456,887	14%	181.1	9%
Indiana	283,886	9%	156.4	8%
California	170,853	5%	128.6	6%
West Virginia	170,404	5%	115.7	6%
Other	639,663	19%	347.8	17%
Total Regulated Business	3,321,715	100%	\$2,082.7	100%

Note: Numbers may not total due to rounding.

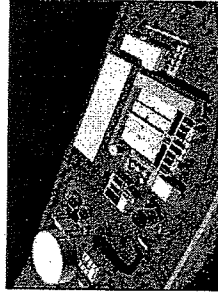


Our Non-Regulated Businesses: A Complement to Core Competencies



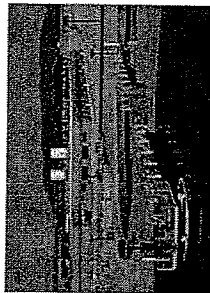
Water Reuse

- Over 21 projects, 4 states
- Gillette stadium, MA
- Solaire building, NY
- Battery Park



Desalination

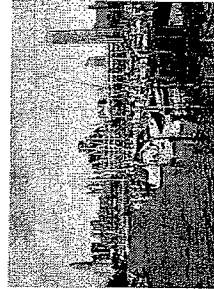
- One operational plant
- Tampa Bay Seawater Desalination Plant, FL
- Two pilot plants
- Monterey, CA
- Laredo, TX



Design, Build and Operate

- Over 20 projects*
- Lake Pleasant Plant, AZ
- Fillmore, CA
- Carnegie Abbey, RI
- Seattle, WA

*Includes 15 AWMW projects



Contract Operations

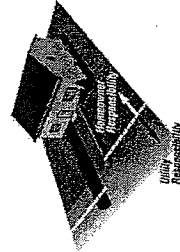
- Over 240 contracts**
- Serving 3m people
- Buffalo, NY
- Seattle, WA
- Warren Township, NJ

**Includes 219 AWMW projects



Military Bases Privatization

- Fort Bragg, N
- Fort Sill, OK
- Fort Rucker, AL
- Fort Leavenworth, KS
- Fort Belvoir, VA
- Fort Meade, MD
- Fort AP Hill, VA
- Fort Hood, TX
- Fort Polk, LA
- Scott Air Force Base, IL



Homeowner Services

- Over 730,000 contracts
- 16 states

For LTM (as of September 30, 2009), AWK reported \$257.1 million of Non-Reg operating revenues



Key Considerations

Leading Market Position

- ◆ Largest water services provider in North America
- ◆ Recognized market leader with geographic diversity, national presence and local relationships

Sustainable Competitive Advantages

- ◆ Unique network cannot be easily replicated
- ◆ Economies of scale, 3x larger than the second largest water company
- ◆ High barrier to entry insulates us from competitive pressure

Strong Long-term Industry Fundamentals

- ◆ Water more price inelastic than electric and gas
- ◆ US aging water infrastructure in dire need of modernization with small local utilities looking to partner with investor-owned utilities
- ◆ Regulators support strengthening of water systems via M&A

Strengthening Balance Sheet and Financial Stability

- ◆ Regulated business provide high degree of financial stability
- ◆ Economic regulation promotes predictability in financial planning and long-term performance through rate-setting process

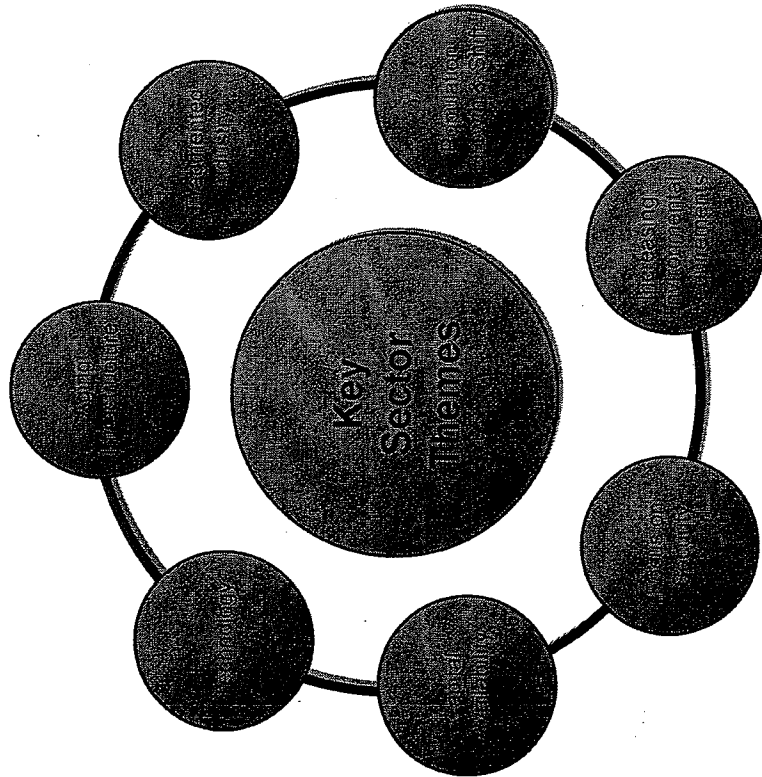


AMERICAN WATER

The US Water Industry Don Correll



Water Industry Poised for Significant Growth



Significant Water Opportunities

- Strong visible growth driven by regulated capital investments that earn appropriate returns
- Enhanced opportunity for private public partnerships
- Industry consolidation opportunities

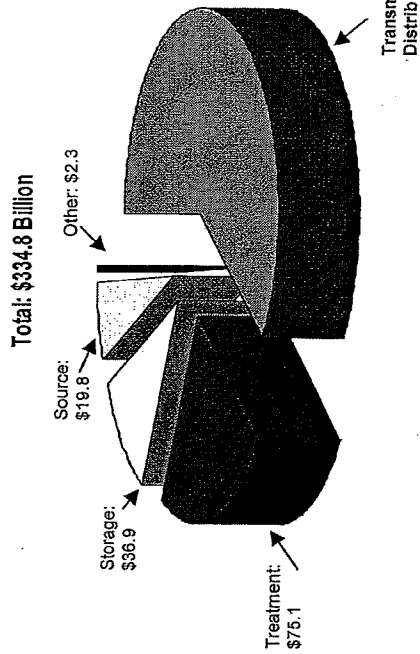
The Bottom Line

American Water is the industry leader and best positioned to take advantage of these growth opportunities



Aging US Infrastructure Investment Remains Critical

US EPA Estimated 20 Year Total Needs of US public water systems



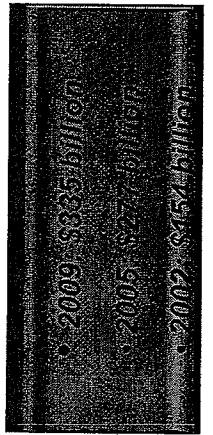
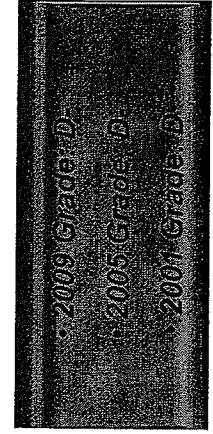
American Society of Civil Engineers (ASCE) grades US Infrastructure

ASCE's STATE OF INFRASTRUCTURE
 * HOME * RECREATION * STATES * CATEGORIES * SOLUTIONS * TAKE ACTION * NAVIGATION * SEARCH

Drinking Water - America's drinking water systems face an annual spend of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This data is a result of growth in the demand for drinking water over the next 20 years. Leaking pipes leak an estimated 7 billion gallons of clean drinking water a day.

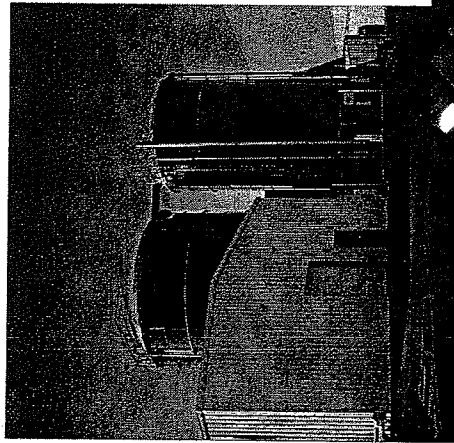
Wastewater - Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters each year. The Environmental Protection Agency estimates that the nation must invest \$300 billion over the next 20 years to upgrade or replace existing systems and build new ones to meet increasing demand.

2009 GRADE D DRINKING WATER
2009 GRADE D WASTEWATER





Physical condition of wastewater treatment systems also poor due to lack of investment



SPORTS



PAGE #2:
More Links Inside Series
PAGE #2:
American Water trades at \$40

San Francisco Chronicle

Wastewater investment needs

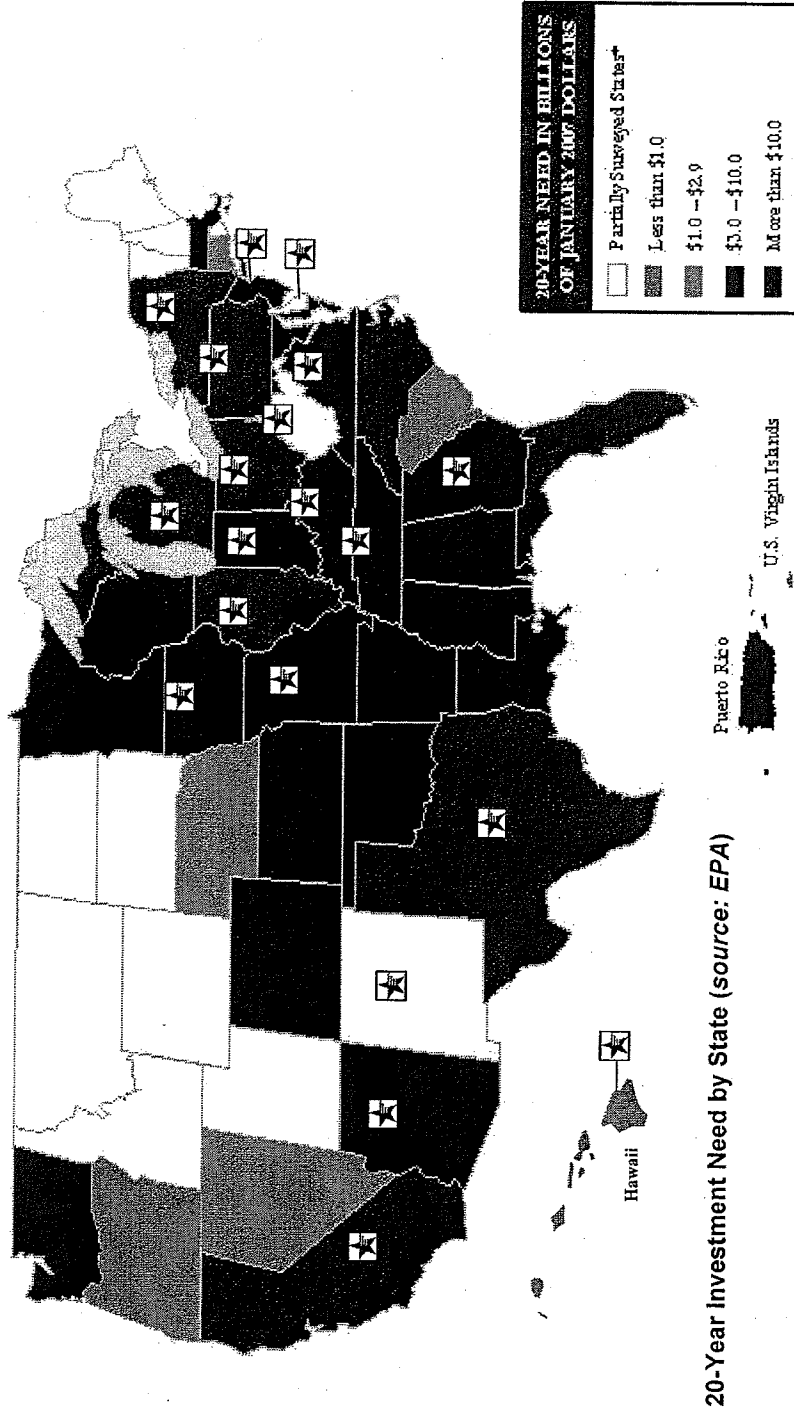
• U.S. EPA: \$202.5 billion, an increase of \$16.1 billion (8.6%) since the previous analysis was published in January 2004.

• The EPA Gap Analysis estimated that over the next two decades the United States must spend nearly \$390 billion to replace existing wastewater infrastructure systems and build new ones

• The Congressional Budget Office (CBO) estimated that for the years 2000 to 2019, annual costs for investment would need to be between \$13 billion and \$20.9 billion for wastewater systems



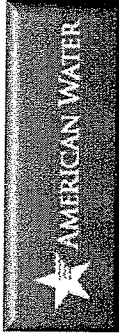
Investment needs are larger in heavily-populated & fast growing areas that closely mirror American Water's footprint



Note: Does not include needs for American Indian and Alaskan Native Village water systems.



American Water comprises ~2.2% of the \$90.5 Billion U.S. Water Market

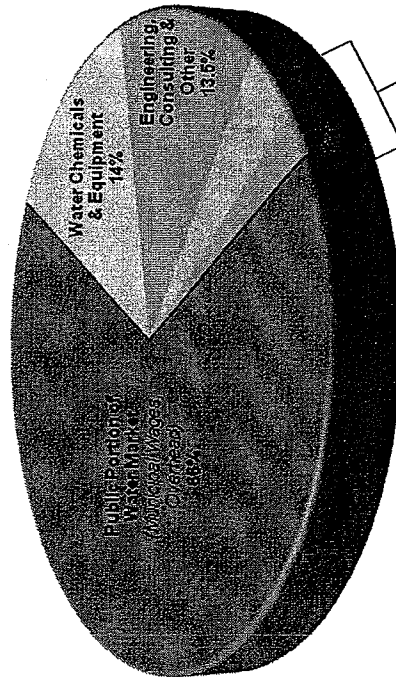


Services Provided

- Private Ownership
- Operations & Maintenance
- Design/Build/Operate
- Water Line Protection

Markets Served

- Municipalities
- Residential
- Commercial
- Industrial
- Military



Revenue from Regulated Private Utilities - 6.5%

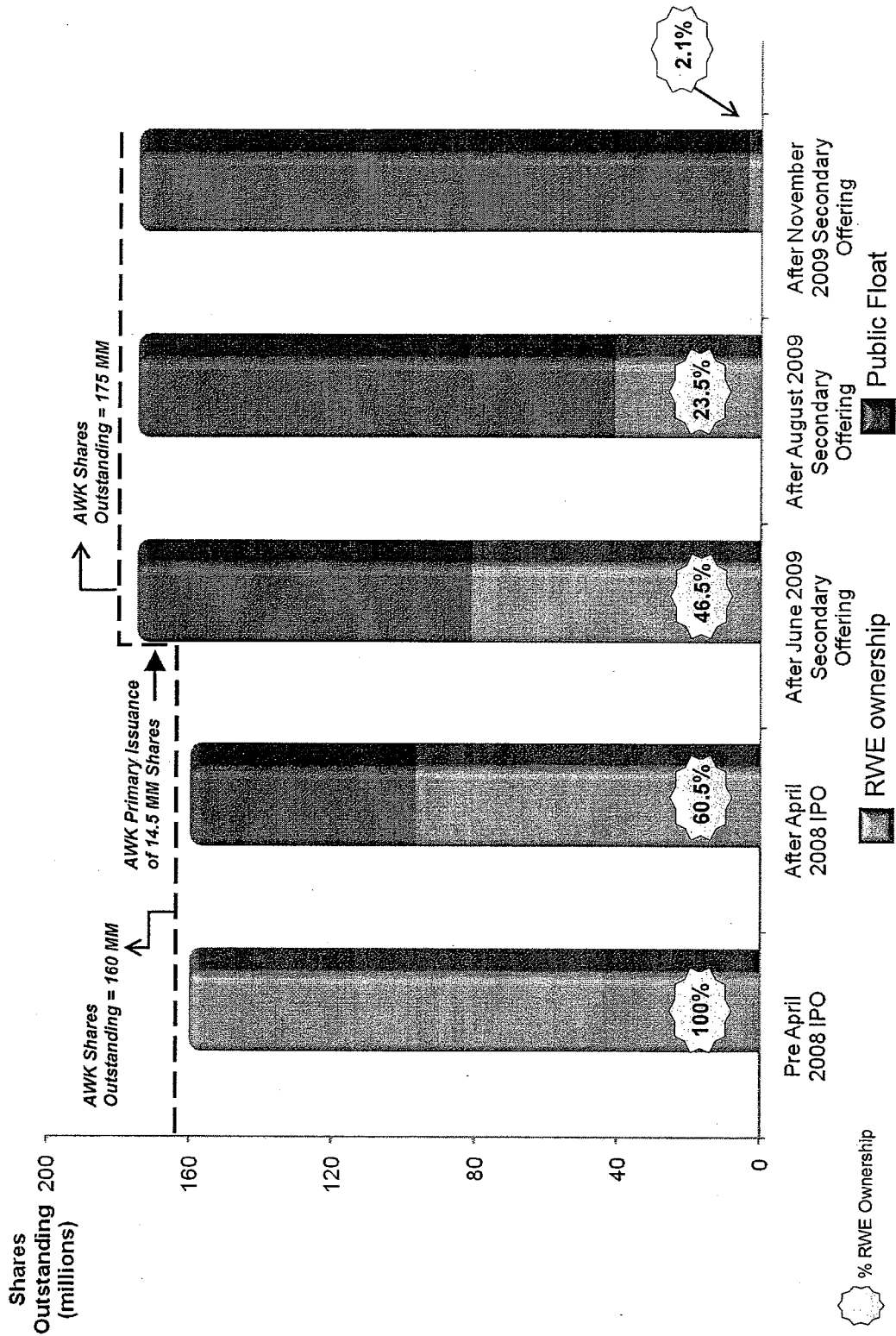
By providing value-added services American Water will continue to expand its market share

Sources: Public Works Financing 2004, Environmental Business Journal, AWK SEC filings



Substantial progress on divestiture - RWE ownership at 2.1%

- if overallocation is exercised RWE would completely exit from AW -





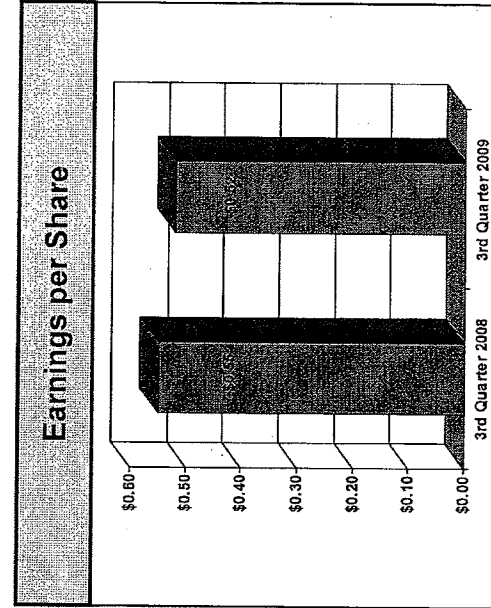
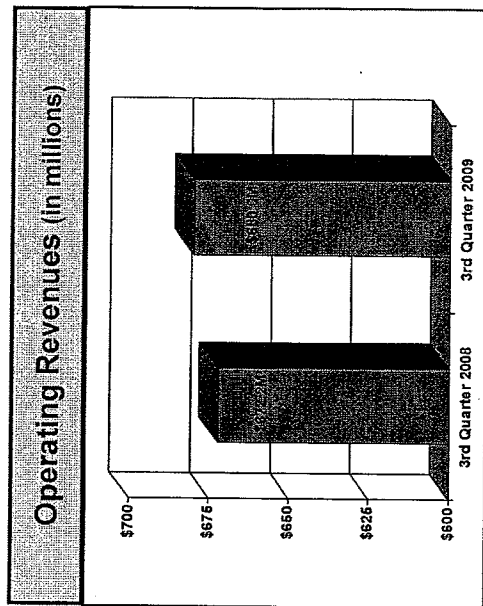
2009 Performance Highlights

Ellen Wolf



Financial Results - Third Quarter

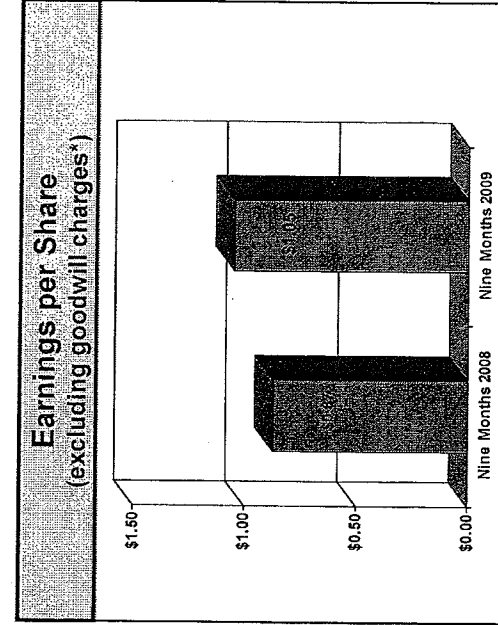
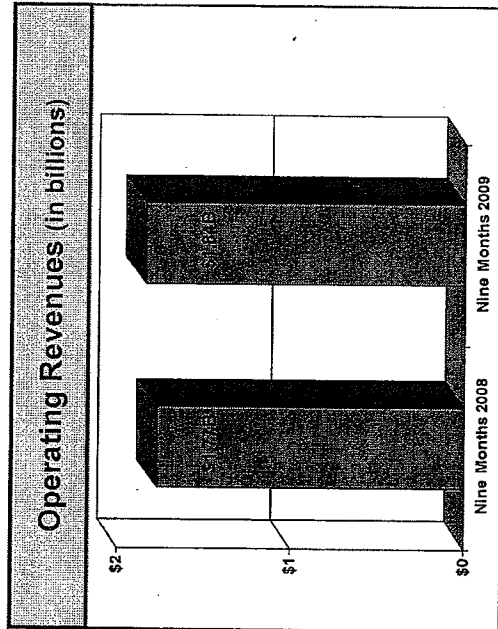
	For the Three Months Ended September 30	
	2009	2008
	<i>(In thousands, except per share data)</i>	
Revenue	\$679,956	\$672,193
Gross margin	\$214,406	\$211,754
Net income to common	\$91,636	\$88,158
Common dividends paid	\$36,658	\$31,992
Average common shares outstanding during the period, fully diluted	174,691	160,000
Net income per common share	\$0.52	\$0.55





Financial Results – Nine Months

	For the Nine Months Ended September 30	
	2009	2008
	<i>(In thousands, except per share data)</i>	
Revenue	\$1,842,866	\$1,768,377
Gross margin *	\$486,228	\$434,054
Net income to common *	\$173,570	\$139,647
Common dividends paid	\$100,664	\$31,992
Average common shares outstanding during the period, fully diluted	165,992	159,960
Net income per common share *	\$1.05	\$0.87



* Non-GAAP Financial Measure –excludes goodwill charges. Reconciliation table can be found at the end of this presentation



2009 Achievements

- Filed rate cases in eleven states
- Received general rate orders increasing rates in eleven states and infrastructure surcharge orders in eight states
 - Annualized revenue increases of \$80 million from general rate cases and \$26 million from infrastructure related surcharges
 - Weighted average authorized ROE of 10% on new orders
- Expect to invest \$800 million in regulated utility infrastructure
- Awarded 2 new military contracts with average annual revenue of \$19 million and contract lifetime revenue of \$938 million
- Raised \$738 million in financing*
 - \$250 million equity
 - \$285 million publicly and privately issued debt
 - \$203 million in tax-exempt and other government subsidized debt

* Includes \$60million of expected Q4 debt financing



General Rate Cases Awaiting Final Order as of November 23, 2009

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Amount Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>	<u>Filing Status</u>
Hawaii *	2007-0180	11/1/2007	\$1.3	10.60%	\$24.9	5
California ** (Sac, LA, Lark)	A 09-01-013	1/23/2009	\$32.7	10.20%	\$215.8	2
Indiana	43680	4/30/2009	\$46.9	12.00%	\$670.5	2
Ohio	09-391-WS-AIR	5/7/2009	\$8.8	12.20%	\$74.8	2
Illinois	09-0319	5/29/2009	\$58.6	12.25%	\$610.3	2
Arizona (Anthem, etc.)	W-01303A-09-0343	7/2/2009	\$20.6	12.25%	\$220.4	2
New Mexico (Edgewood)	09-00156-UT	8/21/2009	\$0.7	12.25%	\$4.0	2
Missouri	TBD	10/30/2009	\$48.7	11.60%	\$792.3	1

* Interim rates implemented (\$0.7m add'l annual revenues) and will be subject to adjustment upon issuance of final order from commission.
 ** California rate increase amount includes test year (2010) increase of \$26.1 m, and staged increase of \$6.6m effective in escalation year of 2011.

- Index of Rate Case Status**
- 1 - Case Filed
 - 2 - Discovery (Data Requests, Investigation)
 - 3 - Negotiations / Evidentiary Hearings / Briefings
 - 4 - Recommended order issued / settlement reached, without interim rates
 - 5 - Interim rates in effect, awaiting final order



Rate Case Awards: 2008-2009

General Rate Cases Finalized in 2008 and 2009

	Docket / Case Number	Date Filed	Amount Filed	ROE Requested	Effective Date for new rates	ROE Granted	Amount Granted	Rate Base (Approved)
Michigan	N/A	1/1/2008	\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007	\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007	\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006	\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island	07-W-0508	5/1/2007	\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc.)	07-01-036,037,038,039	1/1/2007	\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007	\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006	\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia	PUE-2008-00009	1/30/2008	\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007	\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008	\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007	\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008	\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (VWV)	R-2008-2032689	4/28/2008	\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey	WR-08010020	1/14/2008	\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008	\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008	\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM (NJ)	WR08080550	8/1/2008	\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE)	A 08-05-003	5/1/2008	\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky	2008-00427	10/31/2008	\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan	N/A	6/22/2009	\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
Calif (Monterey Water)	A 08-01-027	1/30/2008	\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California (Monterey WW)	A 08-01-023	1/30/2008	\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California (Gen Office)	A 08-01-024	1/30/2008	\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A
Maryland	9187	4/30/2009	\$0.8	11.75%	9/10/2009	10.75%	\$0.6	\$11.6
Iowa	RPU-2009-0004	4/30/2009	\$9.4	12.20%	7/27/2009	10.50%	\$6.1	\$82.4
Pennsylvania	R-2009-2097323	4/24/2009	\$58.1	12.00%	11/7/2009	10.80%	\$30.8	\$1,840.2
Texas	2008-0910-UJR	2/21/2008	\$0.9	12.00%	11/30/2009	10.00%	\$0.4	\$6.7
Arizona (multiple)	W-01303A-08-0227	5/1/2008	\$20.0	11.75%	12/1/2009	10.00%	\$7.4	\$198.3
Total General Rate Cases							\$246.3	
Total Infrastructure Surcharges							\$45.0	



Comparison of Water Sales Volumes

	Nine Months Ended Sept 30, 2009		Year to Date	
	2009	2008	Decrease	Percentage
Residential	60,926	65,488	(4,562)	(7.0) %
Commercial	26,053	27,502	(1,449)	(5.3) %
Industrial	10,149	11,888	(1,739)	(14.6) %
Public & Other	16,114	17,460	(1,346)	(7.7) %
Total	113,242	122,338	(9,096)	(7.4) %
			(17,462)	(5.7) %

Water sales volumes for the nine months ended September 30, 2009 decreased over the prior year largely due to weather and economy



2009- Liquidity and Capital Resources

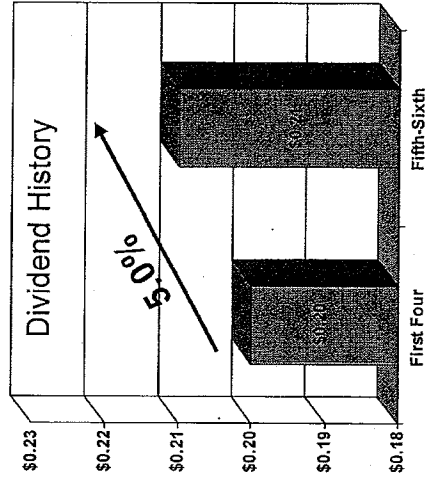
	For the Nine Months Ended September 30	
	2009	2008
Cash flows provided by operating activities	\$471,551	\$392,913
Cash flows used in investing activities	(\$526,211)	(\$723,574)
Cash flows provided by financing activities	\$52,949	\$323,869

- **Cash Flows from Investing Activities**
 - Capital expenditures \$592.9 million compared to \$714.6 million in 2008
- **Financing Activities**
 - Equity Offering- Issuance of 14.5 million shares at \$17.25 per share – net proceeds of \$242.3 million
 - Commercial Paper outstanding
 - ♦ September 30, 2009 - \$213.6 million
 - ♦ November 20, 2009 - \$100.4 million
 - Dividends paid of \$100.7 million compared to \$32.0 million in 2008
 - Debt Offerings
 - ♦ Total new long-term debt issuances of \$403.6 million
 - ♦ Remarketed 254.3 million variable rate debt into a combination of fixed and variable notes
 - ♦ Application for State Revolving Loan Funds \$289.3 million



Dividends Paid – Return on Shareholder Investment

- **Declared six quarterly dividends since IPO**
 - Declared and paid five quarterly dividends
 - Declared sixth quarterly dividend of \$0.21 per share on October 30, 2009 to paid on December 1, 2009
- **Dividend policy**
 - Quarterly dividends
 - Payout ratio between 50% to 70% of net income
 - Subject to approval by American Water's Board of Directors
- **Committed to meeting shareholders' expectations**





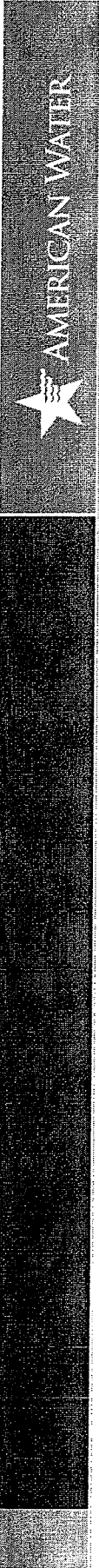
2008 Actual vs. 2009 Forecast

	2008A	2009E	Variance
Operating Revenue	\$ 2,336.9	\$ 2,465.2	5.5%
Operating Income	\$ 563.1	\$ 614.4	9.1%
EBIT	\$ 568.1	\$ 615.3	8.3%
Net Income	\$ 176.1	\$ 204.1	15.9%
Operating Margin	24.1%	24.9%	3.4%
Efficiency Ratio (O&M Exp/Revenue)	55.8%	54.8%	-1.8%
Net Capital Expenditure	\$ 1,008.8	\$ 800.0	-20.7%
Net Operating Cash Flow	\$ 552.2	\$ 602.6	9.1%

* Adjusted for Goodwill Impairment (Non-GAAP Financial measure)



Business Plan
Ellen Wolf

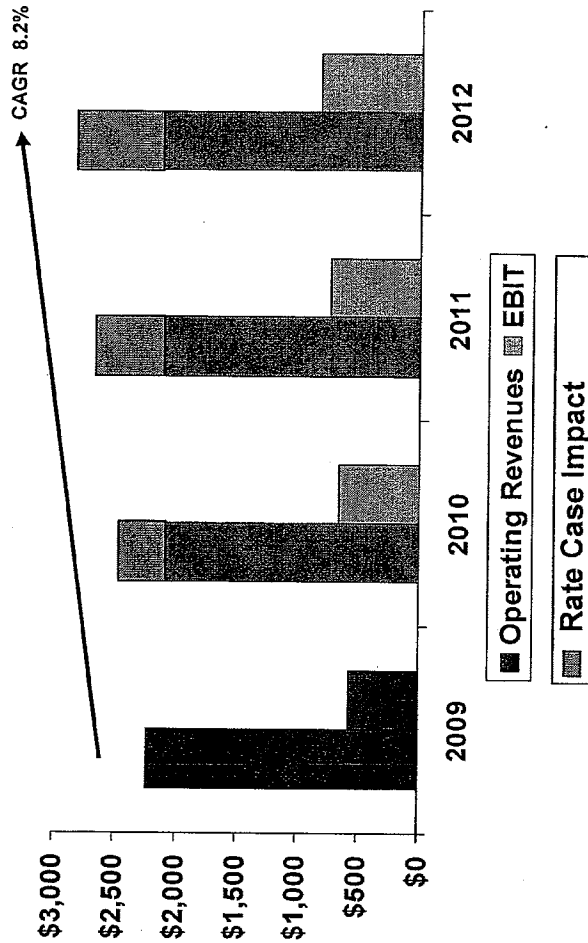


American Water's Vision:

- 2010
 - Return on equity of 7.9% versus 7.4% in 2009 (excluding goodwill)
 - 12% of revenues from non-regulated activities
 - Improved operations & maintenance cost metrics being developed, through business transformation efforts
 - Provide high customer service
 - Notice of violations less than 21
 - Safety performance of less than 5.5 OSHA recordable incidents per 200,000 hours worked
 - Continued diversity improvement
- 2012 & Beyond
 - Target ROE ex-goodwill 9.75%
 - ◆ Reduce lag and disallowances
 - ◆ Target average authorized ROE greater than 10%
 - ◆ Target utility equity ratio of 50%
 - ◆ Portfolio optimization
 - Target 15% of revenues from non-regulated low risk services within our industry
 - Maintain high level customer satisfaction, safety and water quality and diversity
 - Target operations & maintenance costs per customer and employees per customer to peer benchmark through business transformation



Regulated Segment

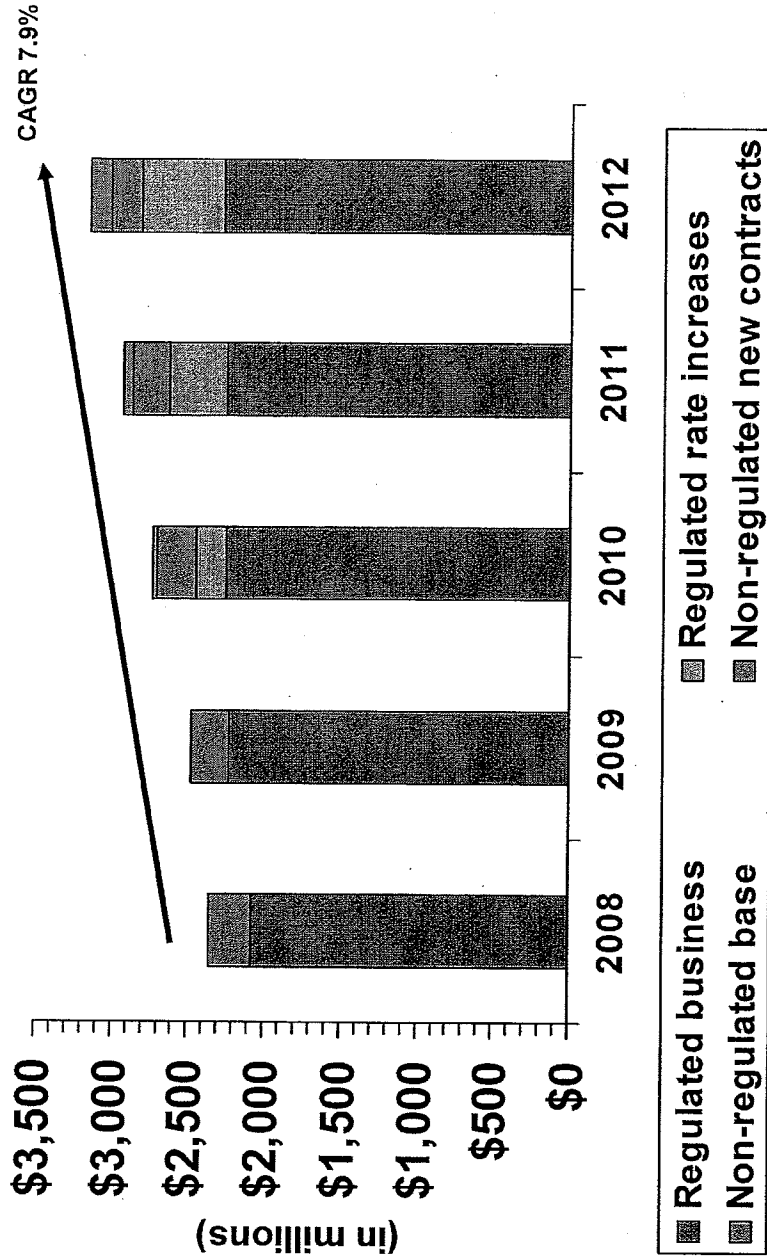


	2009	2010	2011	2012
Revenues	2,229.5	2,450.5	2,629.1	2,819.5
Production Costs	286.8	304.0	325.3	340.2
Depreciation & Amortization	273.4	290.3	307.1	329.6
General Taxes	193.1	210.2	223.2	237.6
Other O&M Costs	892.8	985.5	1,033.5	1,079.0
Total O&M Costs	1,646.1	1,790.0	1,889.1	1,986.4
EBIT	583.4	660.5	740.0	833.1

Steady growth in revenues with focus on cost containment



Consolidated Revenue



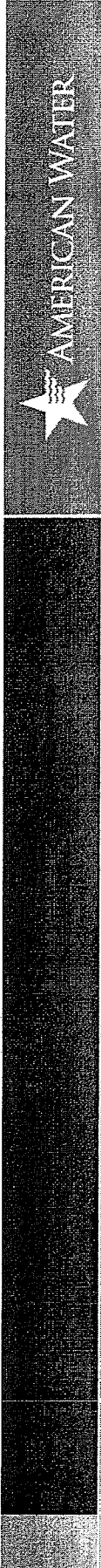
Base plan growth driven by rate increases and new non-regulated business

Consolidated Financial Statements - Income Statement

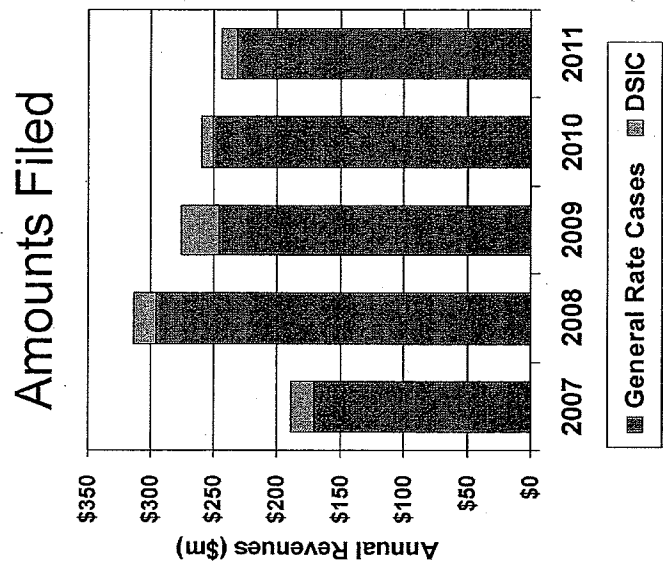
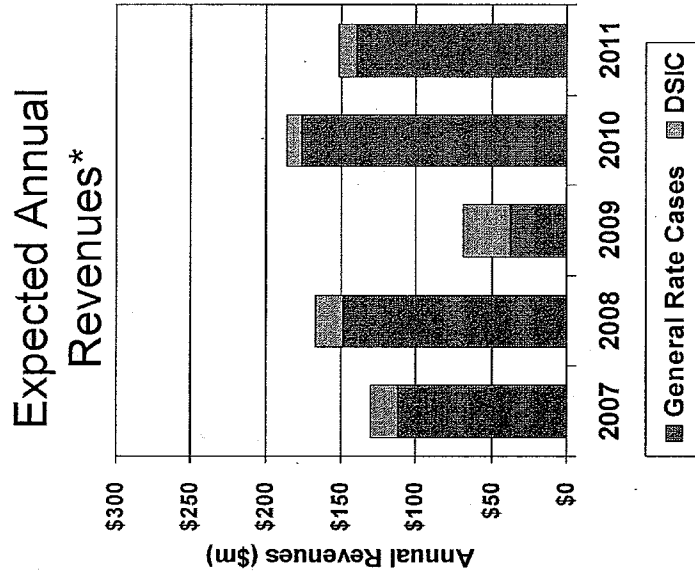
	Actual		Forecast*		Current Plan			CAGR	
	2008	2009	2009	2010	2010	2011	2012	2009-2012	
Operating revenues	\$ 2,336.9	\$ 2,465.2	\$ 2,734.6	\$ 2,936.2	\$ 3,165.0				8.7%
Operating Expenses									
Operation and maintenance	1,303.8	1,351.5	1,499.2	1,584.4	1,673.2				7.4%
Depreciation and amortization	271.3	293.1	317.5	337.6	362.6				7.4%
General taxes	199.1	206.2	223.7	237.2	251.8				6.9%
(Gain) loss on sale of assets	(0.4)	(1.0)	0.0	0.0	0.0				N/A
Impairment charges	750.0	450.0	0.0	0.0	0.0				N/A
Total operating expenses, net	2,523.8	2,299.8	2,040.4	2,159.2	2,287.6				7.3%
Operating income	(186.9)	165.4	694.2	777.0	877.4				12.5%
Other income (deductions)									
Interest	(285.2)	(300.1)	(336.6)	(364.1)	(371.3)				7.4%
AFUDC	22.7	18.5	19.6	24.2	25.6				11.6%
Amortization of debt expense	(5.9)	(6.8)	(5.5)	(5.6)	(5.9)				-5.0%
Preferred dividends of subsidiaries	(0.2)	(0.2)	0.0	0.0	0.0				N/A
Other, net	4.9	(0.1)	2.3	2.3	2.2				N/A
Total other income (deductions)	(263.7)	(288.8)	(320.2)	(343.2)	(349.3)				6.5%
Income before income taxes	(450.6)	(123.4)	374.0	433.8	528.1				18.2%
Taxation	111.8	115.6	147.4	170.8	208.1				19.3%
Net income from continuing operations	(562.4)	(239.0)	226.7	263.0	320.0				16.2%
Dividends on preferred stock	0.0	0.0	0.0	0.0	0.0				N/A
Net income to common stock	(562.4)	(239.0)	226.7	263.0	320.0				16.2%
Impairment (net of tax)	(738.5)	(443.1)							
Net income to common stock, prior to impairment **	\$ 176.1	\$ 204.1	\$ 226.7	\$ 263.0	\$ 320.0				16.2%
Earnings per share	\$ (3.52)	\$ (1.42)	\$ 1.27	\$ 1.41	\$ 1.58				
Earnings per share, excluding impairment **	\$ 1.10	\$ 1.21	\$ 1.27	\$ 1.41	\$ 1.58				
Average Shares (in millions)	160.0	168.0	178.1	186.6	202.3				

* Forecast represents 9 months actual and 3 months forecast

** Non-GAAP financial measure



Rate Cases in Business Plan 2010 – 2012



- Amounts represent annualized revenues expected for each rate case filing
- Expected annual revenues is indicative of amounts included in business plan
 - Business plan includes new revenues totaling 63% of amounts to be filed
- Authorized ROE's assumed in plan typically range from 10.0%-10.5%
- Depending upon rate case timing, some changes will be reflected in revenue
- 2012 does not include rate cases filed in 2012 that will not be effective until 2013

* 2007 through 2009 represents annual revenue actually granted and several cases are pending



Regulatory Activity (In thousands) 2011

2010

State	Date Filed	Amount Filed	Date Expected	Annualized Award Expected
New Jersey	Jan-2010	\$97,273	Jan-2011	\$63,500
Pennsylvania	Apr-2010	\$14,975	Jan-2011	\$11,751
Missouri	Dec-2010	\$3,428	Apr-2011	\$3,428
Kentucky	Feb-2010	\$28,129	Oct-2010	\$22,547
California	Jan-2010	\$52,869	Jan-2012	\$43,899
West Virginia	Jun-2010	\$16,091	Mar-2011	\$8,002
Other (12)	2010	\$57,206	Various	\$42,708
Total Regulated Business	2010	\$259,971	Various	185,835

2012**

State	Date Filed	Amount Filed	Date Expected	Annualized Award Expected
Kentucky	Jan-2012	\$9,726	Sep-2012	\$5,316
Tennessee	Feb-2012	\$9,480	Aug-2012	\$6,545
Missouri	Jun-2012	\$4,488	Oct-2012	\$4,488
Total Regulated Business	2012	\$23,694	Various	\$16,349

* No assurances that amounts filed will be granted.

** 2012 does not include rate cases filed in 2012 that will not be effective until 2013

State	Date Filed	Amount Filed	Date Expected	Annualized Award Expected
Pennsylvania	Apr-2011	\$90,852	Jan-2012	\$54,428
Illinois	Mar-2011	\$35,299	Feb-2012	\$23,388
Missouri	Jun-2011	\$55,766	May-2012	\$34,205
Indiana	Apr-2011	\$31,260	Apr-2012	\$20,775
Other (7)	2011	\$31,221	Various	\$18,729
Total Regulated Business	2011	\$244,398	Various	\$151,525

Summary

State	2010	2011	2012
Total Filings	\$260.0	\$244.4	\$23.7
Expected Awards	\$185.8	\$150.7	\$16.3
Amount expected from:			
2010 filings	\$12.4	\$102.6	\$57.7
2011 filings	--	\$15.1	\$106.9
2012 filings	--	--	\$5.4



Capital Expenditure Plan

(\$ in millions)

	2009	2010	2011	2012
Investment Projects	376.8	406.7	507.4	495.8
IT Infrastructure	36.3	88.8	78.9	115.3
Recurring Projects	369.0	362.1	353.2	369.5
Developer Projects	121.3	73.9	77.2	78.6
Gross Capital Expenditures	903.4	931.5	1,016.7	1,059.2
Advances and contributions, net of refunds	103.4	72.6	75.6	76.5
Net Capital Expenditures	800.0	858.9	941.0	982.6

- Coordination of capital spending program with financing and rate case strategies is fundamental to our planning process

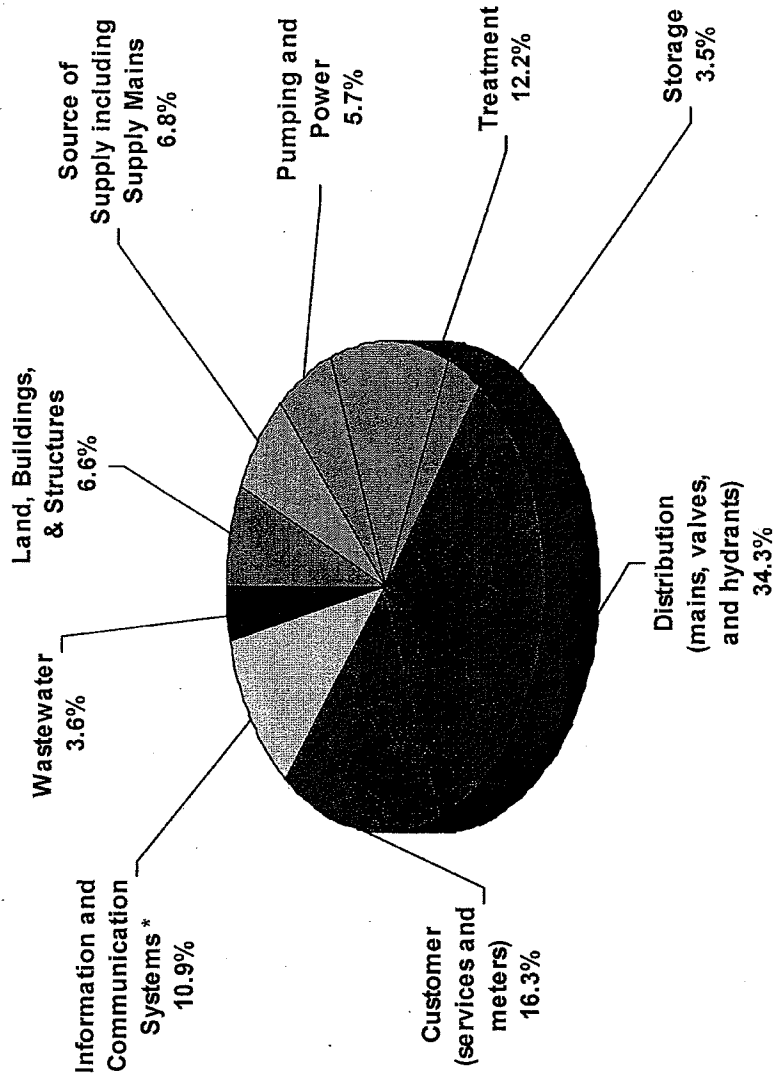
- Amounts for the capital program are still under review due to the impact on our credit rating/equity funding.

Major projects during 2010-2012:

NJ – Canoe Brook	\$51.4m
CA – San Clemente Dam	\$42.9m
PA – Beck's Run Pump Station	\$34.9m
KY – Water Treatment Plant	\$32.4m
PA – Clearwell at Hays Mine WTP	\$32.1m
OH – Ashtabula Phase II WTP	\$29.1m
PA – Chemical improvements at Pittsburgh	\$28.7m
IN – WAR North WTP	\$23.6m

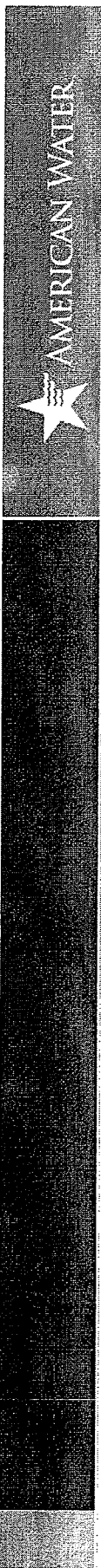


Capital Expenditure Plan, by Asset Type: 2010-2012

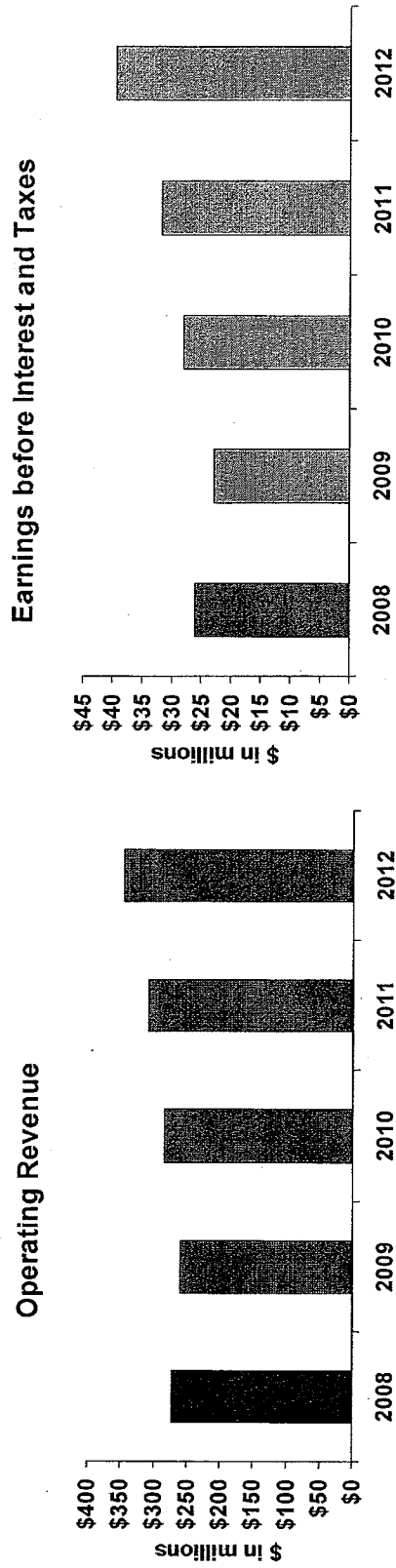


* Includes Business Transformation capital spend

Continued Investments in our regulated business



Non-Regulated Segment



- Establishing steady record of profitability with improved risk profile
- Recent bids and contract renewals have less exposure to cost volatility
- Design/build/operate contracts can cause fluctuations year over year

Non-regulated businesses growth requires minimal capital investment



AMERICAN WATER

Key Credit Strengths

James Kalinovich



Debt Issuance Through 10/20/09

Issue Name	Issue Type	Use of Proceeds	Borrower	Coupon	Tenure	Date
\$75M Senior Unsecured Notes	Taxable	CP	AWCC/IN/IA/MO/NJ	8.25%	30 Years	4-Feb
\$80M General Mortgage Bonds	Tax-exempt (Non AMT)	CP	PA American	6.20%	30 Years	8-Apr
\$25M General Mortgage Bonds	Taxable	CP	NJ American	5.48%	10 Years	13-May
\$75M General Mortgage Bonds	Taxable	CP	NJ American	6.35%	30 Years	13-May
\$24.5M Senior Unsecured Notes	Taxable	CP	AWCC/WV	7.21%	10 Years	19-May
\$25.5M Senior Unsecured Notes	Taxable	CP	AWCC/IN/OH/IA	8.27%	30 Years	19-May
\$52.9M Tax-Exempt Senior Notes	Tax-exempt (AMT)	VRBs	AWCC/PA	6.0% - 6.75%	9-22 Years	21-May
\$45.4M Tax-Exempt Unsecured Note	Tax-exempt (Non AMT)	CP	AWCC/KY	6.25%	30 Years	23-Jun
\$23.3M Tax-Exempt Unsecured Note	Tax-exempt (AMT)	VRBs	AWCC/IL	6.25%	23 Years	27-Aug
*\$24.9M Tax-Exempt Unsecured Note	Tax-exempt (AMT)	VRBs	AWCC/IL	6.25%	23 Years	27-Aug
\$26.0M Tax-Exempt Unsecured Notes	Tax-exempt (Non AMT)	CP	AWCC/KY	5.63%	30 Years	10-Sep
\$28.5M Tax-Exempt Unsecured Notes	Tax-exempt (Non AMT)	CP	AWCC/IL	5.25%	30 Years	1-Oct
\$134.2M Tax-Exempt Secured Notes	Tax-exempt (Non AMT)	VRBs	NJ American	5.70%	30 Years	20-Oct
\$10.5M Tax-Exempt Secured Notes	Tax-exempt (Non AMT)	VRBs	NJ American	5.00%	30 Years	20-Oct

*Originally issued through IL- AM and remarketed through AWCC

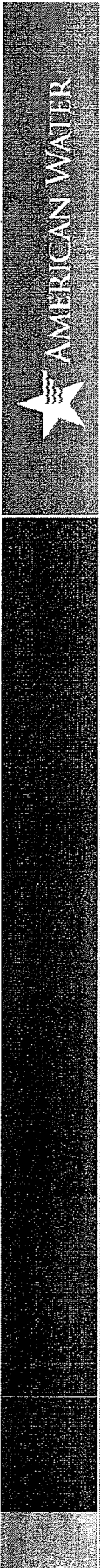


Financing Plans through 2012

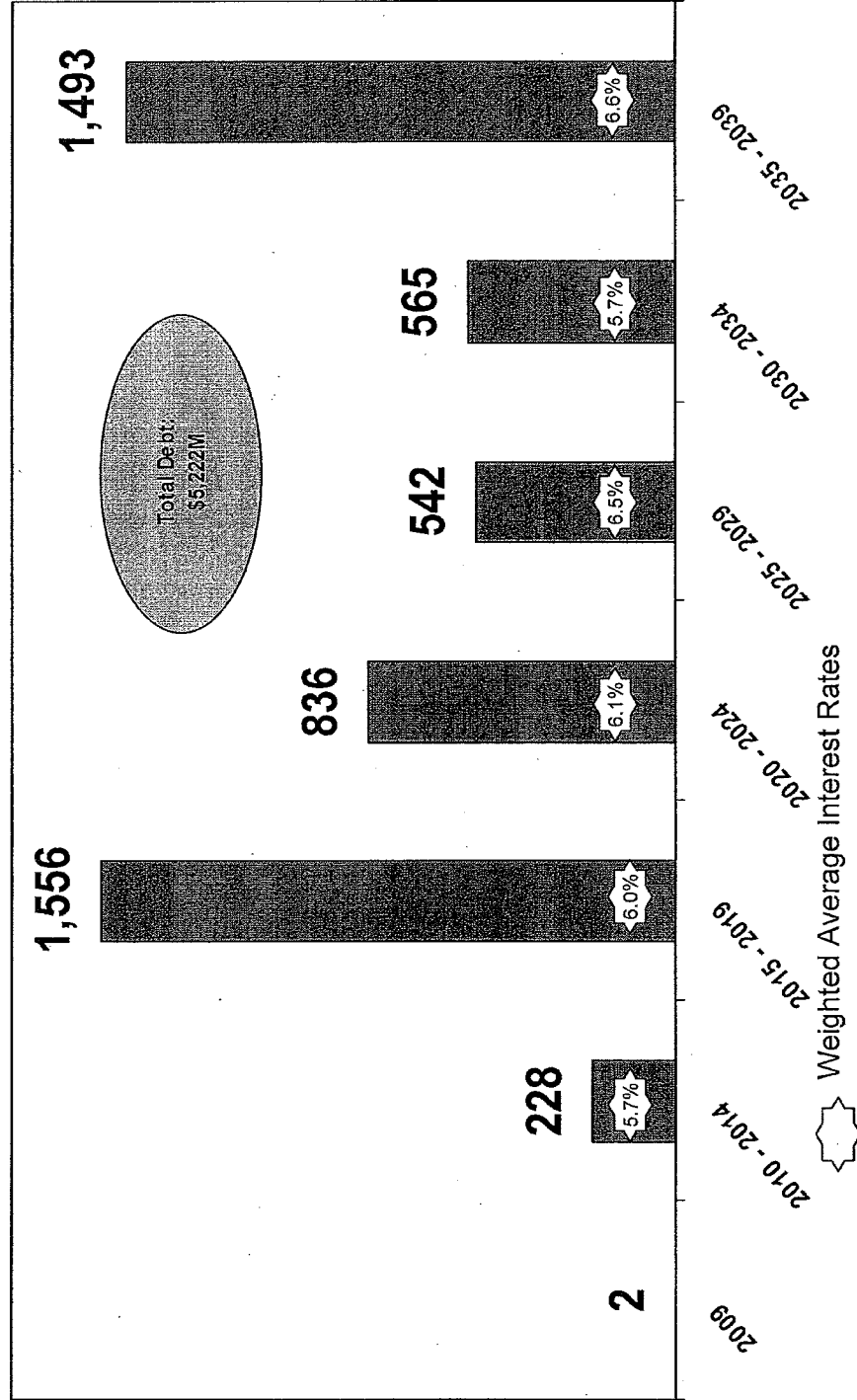
	2009	2010	2011	2012
Cash	13	20	20	20
ST Debt	86	25	51	35
LT Debt	4,824	5,425	5,650	6,016
Net Debt Issuance	<u>601</u>	<u>225</u>	<u>363</u>	<u>(31)</u>
Total LT Debt	5,425	5,650	6,016	5,985
Total Debt	5,511	5,675	6,067	6,020
Equity & Earnings	3,695	4,027	4,384	4,525
Equity Offering	250	250		450
Ending Equity	<u>3,945</u>	<u>4,277</u>	<u>4,384</u>	<u>4,975</u>
Total Capitalization	9,456	9,952	10,451	10,995
Equity/Total Capitalization	41.7%	43.0%	41.9%	45.2%

- Long-term target remains at 45%-50% equity to total capitalization
- 2010 equity to capitalization target is approximately 43%
- # of shares and amounts dependent upon share price and financial result
- 2010 & 2012 Equity issuances at \$21/share & \$28/share respectively
- Assumes 16.3X P/E for both issuances
- Assumes 12 and 16.1 million shares in 2010 and 2012, respectively

With \$700 million new equity, equity ratio will be above 45% in 2012



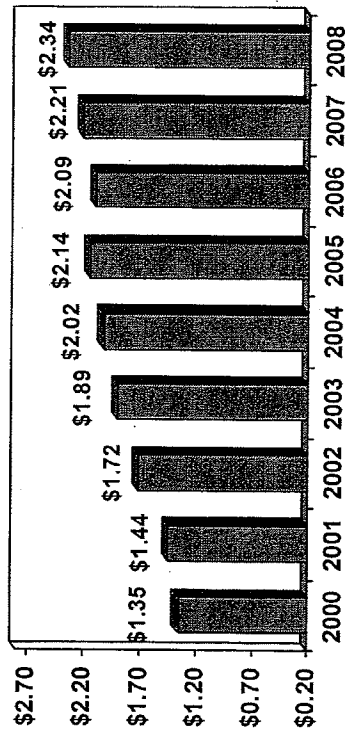
Debt Maturity Profile as of 11/12/09



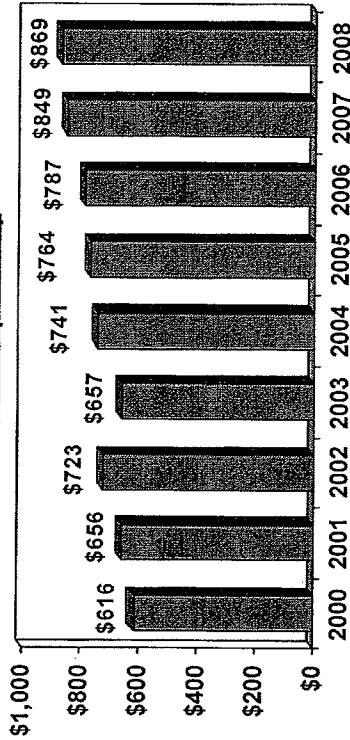


Historical Financial Performance

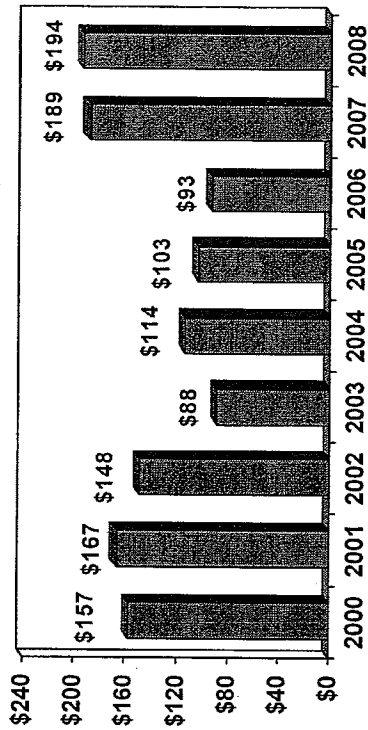
Revenue (\$bn)



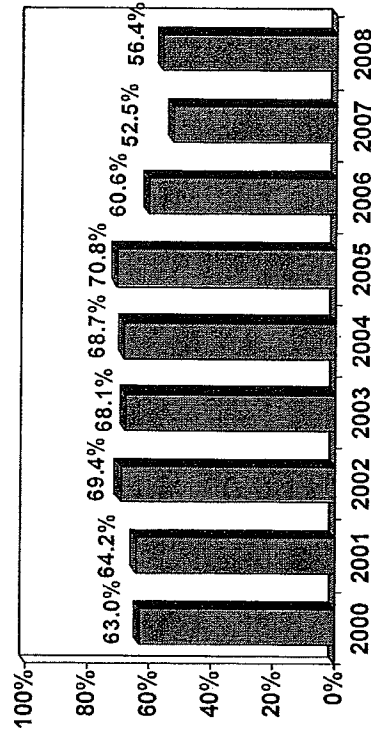
EBITDA ⁽¹⁾ (\$mm)



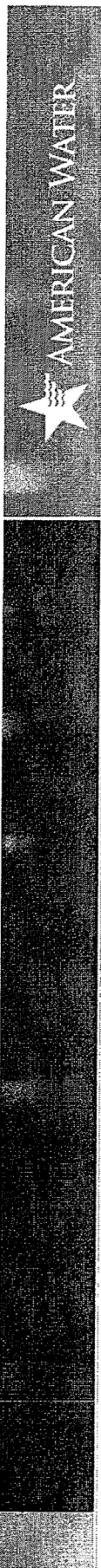
Net Income ⁽¹⁾ (\$mm)



Total Debt/Capitalization

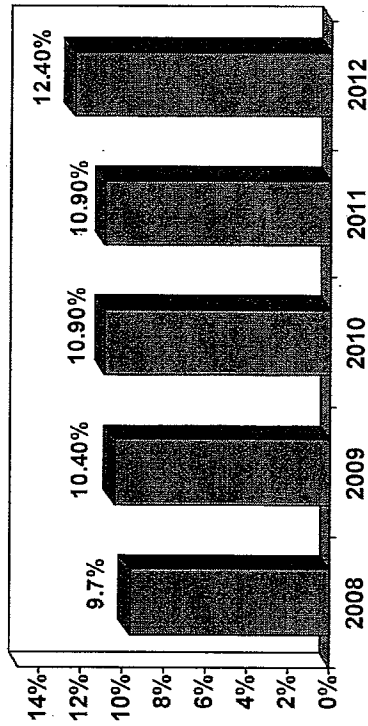


(1) Net income and EBITDA adjusted to remove impact of impairment charges (2003-2008) and one-time costs for SOX (2006, 2007) and Divestiture/Sale. Please refer to the Appendix for the Reg G Reconciliation of Adjusted Net Income and EBITDA.

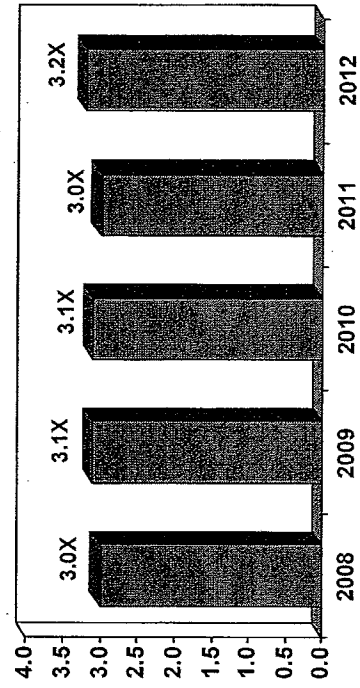


Selected Pro Forma Credit Statistics

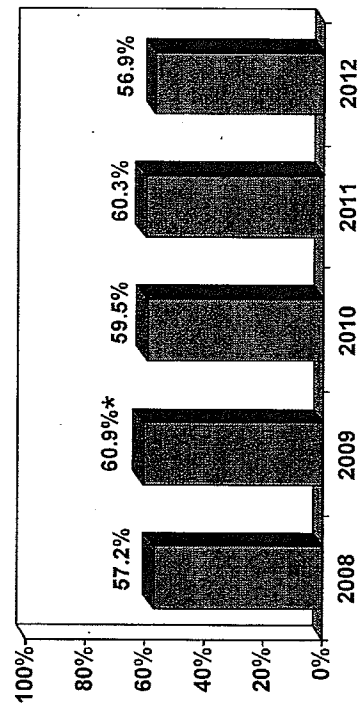
FFO⁽¹⁾ / Adjusted Debt⁽²⁾



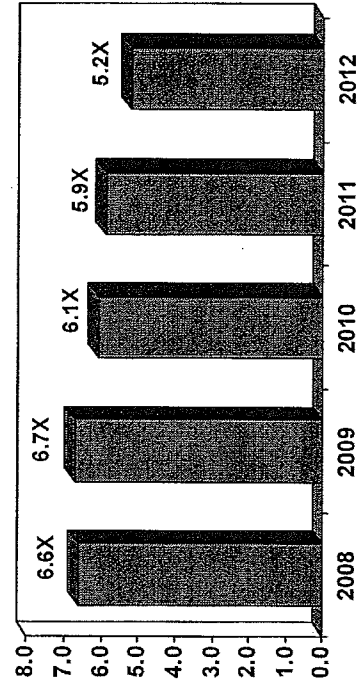
FFO⁽¹⁾ / Adjusted Interest⁽⁴⁾



Adjusted Debt⁽²⁾ / Total Capitalization



Adjusted Debt⁽²⁾ / Adjusted EBITDA⁽³⁾

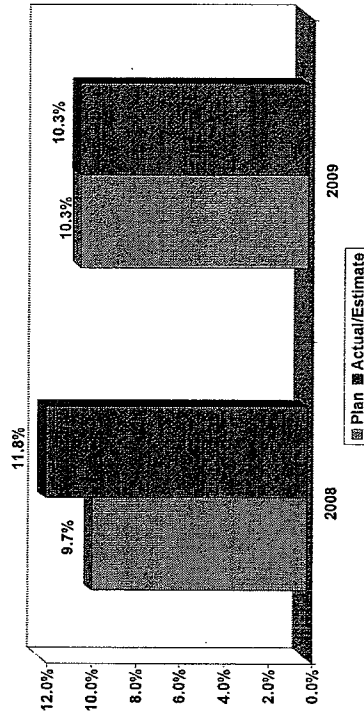


* Excluding impairment, 2009 Adjusted Debt/Total Capitalization would have been 3% lower
Please refer to the Appendix for the reconciliation of FFO, Adjusted Debt, and Adjusted EBITDA

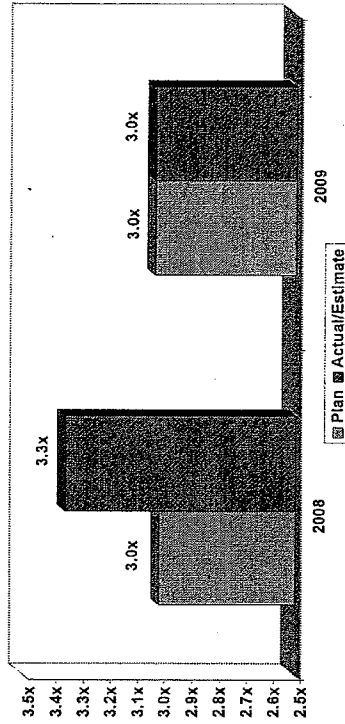


Selected Credit Statistics Actual vs. Estimates

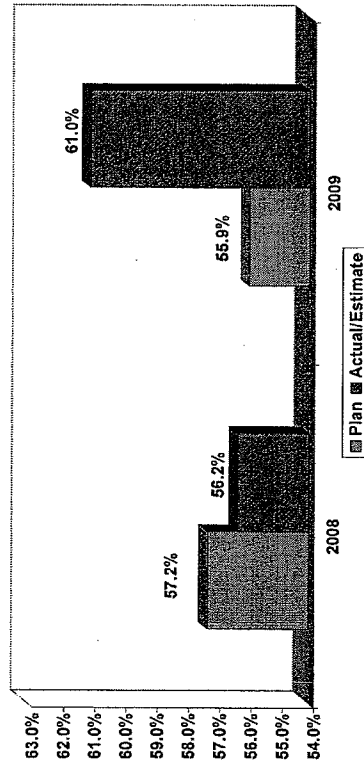
FFO / Adjusted Debt



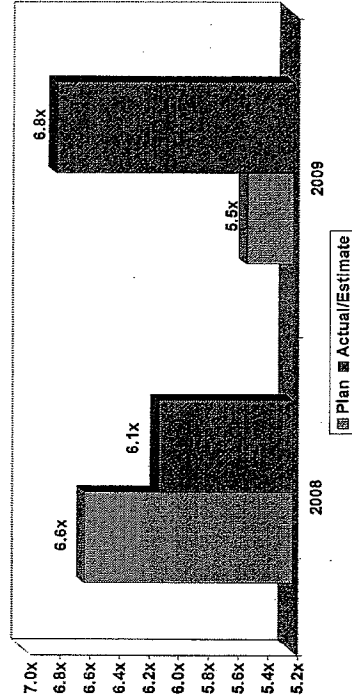
FFO / Adjusted Interest



Adjusted Debt / Total Capitalization



Adjusted Debt⁽²⁾ / Adjusted EBITDA





Liquidity Management

- **AWW has three primary sources of liquidity: cash and marketable securities, committed bank credit lines and ready access to capital markets**
- **Committed Bank Credit Facility**
 - ◆ AWW has contracted with a consortium of premier banks for revolving credit facilities totaling \$840 million and \$10 million credit line with PNC Bank. This facility expires in 2012 and \$685 million extended to 2013.
 - ◆ Credit agreement require AWW to pass a leverage test, under which the Company's ratio of Debt to Capital cannot exceed 70%. On September 30, 2009, our ratio was 57%.
- **Access to Capital Market**
 - ◆ AWW has ample access to the tax-exempt and taxable bond market.
 - ◆ Credit agreement requires AWW to pass a leverage test under which the Company's ratio of debt to capital cannot exceed 70% and priority debt cannot exceed 15% of total debt outstanding. On September 30, 2009, our priority debt to total outstanding debt stands at 6%.



Credit Facilities

Institution	Credit Ratings (S&P/Moodys)	Commitment through September 15, 2012 (in millions)	Commitment through September 15, 2013 (in millions)
JP Morgan	A+/Aa3	\$115	\$0
Citibank NA	A/A3	115	115
Citizens Bank	A-/A1	80	80
Credit Suisse	A/Aa2	80	80
William Street (Goldman)	A/A1	80	80
Merrill Lynch (merged with Bank of America)	A/A2	80	80
Morgan Stanley	A/A2	80	80
UBS	A+/Aa2	80	80
National City (merged with PNC)	A/A3	50	50
PNC	A/A3	40	40
Bank of NY Mellon	AA-/Aa2	40	0
Total		\$840	\$685

•PNC provides a supplemental \$10 million 364 day credit line, bringing the total facility up to \$850 million



Enterprise Risk Management

James Kalinovich

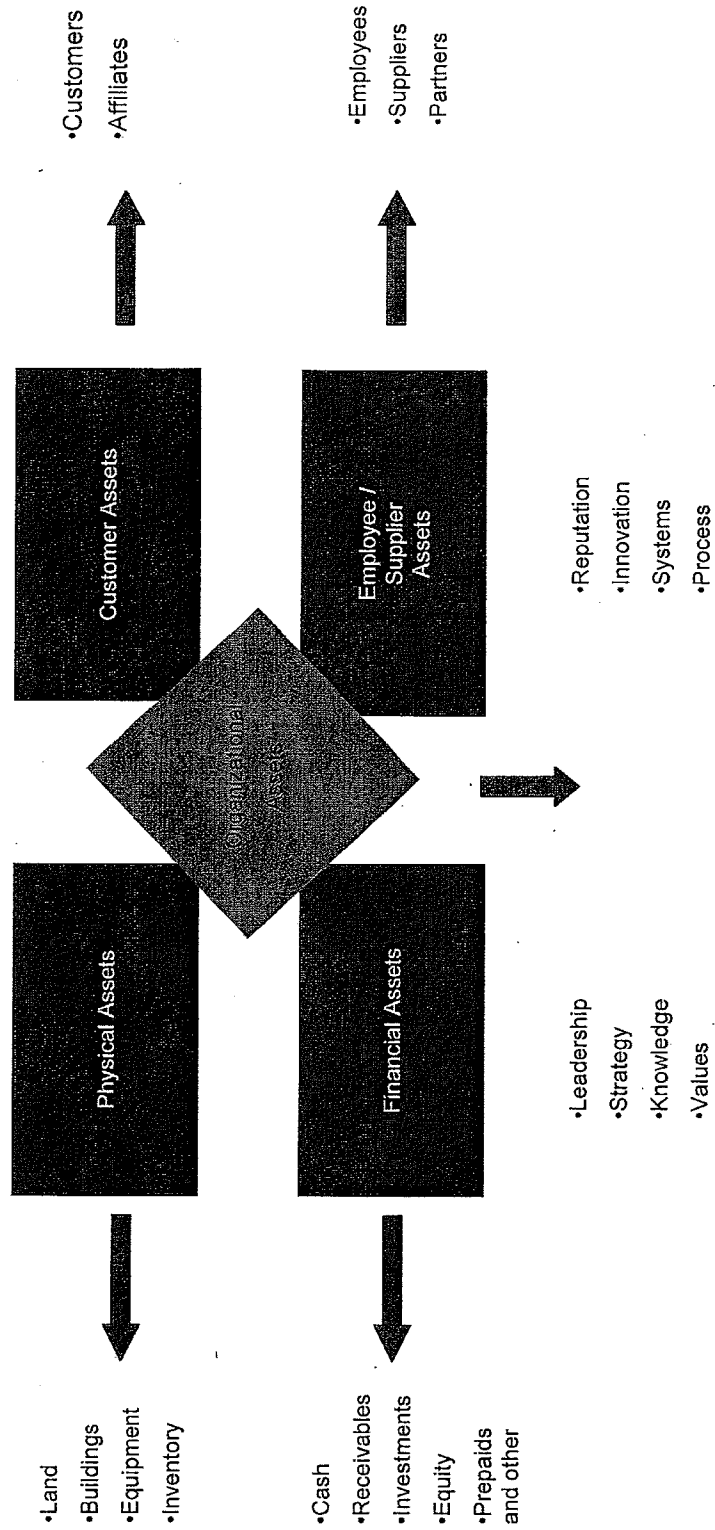


Enterprise Risk Management Vision and Mission

- **Vision**
 - Contribute to the creation, optimization and protection of enterprise value by managing our business risks as we create value in the marketplace
- **Mission**
 - Create a comprehensive approach to anticipate, identify, prioritize, manage and monitor the portfolio of business risks impacting our organization. Put in place the policies, common processes, competencies, accountabilities, reporting and enabling technology to execute that approach successfully



Expansion of risk management focus to enterprise level



Change focus from protecting assets to enhancing strategy



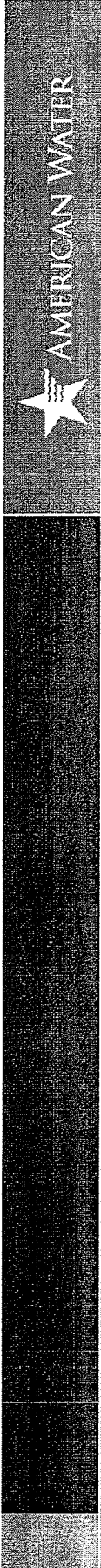
Our Risk Management Goals

- **Reduce unacceptable performance variability**
 - Monitor and develop responses to prevent or manage
- **Align and integrate varying views of risk management**
 - Identify and evaluate likelihood of major events
 - Common framework to bring risk functions (Treasury, Insurance, Operations, etc.) together to act in coordinated manner
- **Build confidence of investment community and stakeholders**
 - S&P is asking us questions and will provide an assessment
- **Enhance corporate governance**
 - Strengthen and focus board and management oversight
- **Successfully respond to changing business environment**
 - For example access to capital, economic downturn, deregulations, etc.
- **Align strategy and corporate culture**
 - Clarify distinction between strategic risk taking and strategic risk avoidance

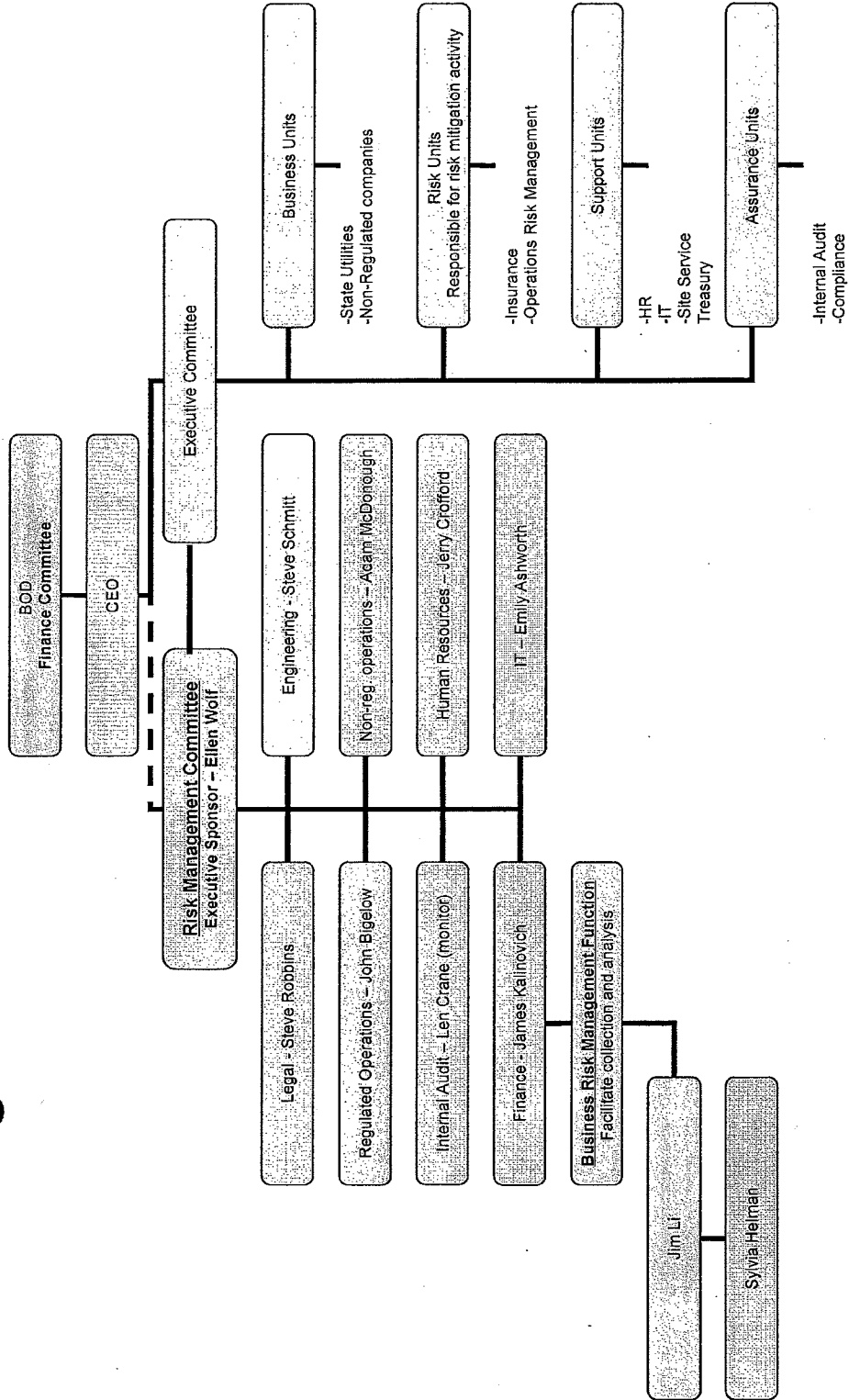


Roles and Responsibilities

- **Board or Directors - Finance Committee**
 - Oversee the Company's enterprise risk management process, including understanding priority risks and approving risk management policies for critical risks and determining with management if risk response is appropriate.
- **CEO**
 - Responsibility for ERM priorities, strategies, policies and risk appetite
 - Acts as final enforcer to align objectives, but delegates to the ERM structure
- **Risk Management Committee**
 - Makes recommendations and coordinates decision-making
 - Develops policy and evaluate effectiveness of risk response
 - Recommends risk owners
- **Executive Sponsor**
 - Provide leadership and guidance to ensure ERM is valued part of company strategy
- **Business Risk Management Function**
 - Facilitates the collection, analysis and synthesis of data and reporting of exposures and results of the process



ERM Oversight Structure





ERM Implementation Progress

	Set Foundation	Build Capabilities	Enhance Capabilities
Internal environment	↑		
Objective Setting	↑	↑	
Event identification	↑	↑	
Risk Assessment	↑	↑	
Risk Response	↑	↑	
Control Activities	↑	↑	
Communication	↑		
Monitoring	↑		



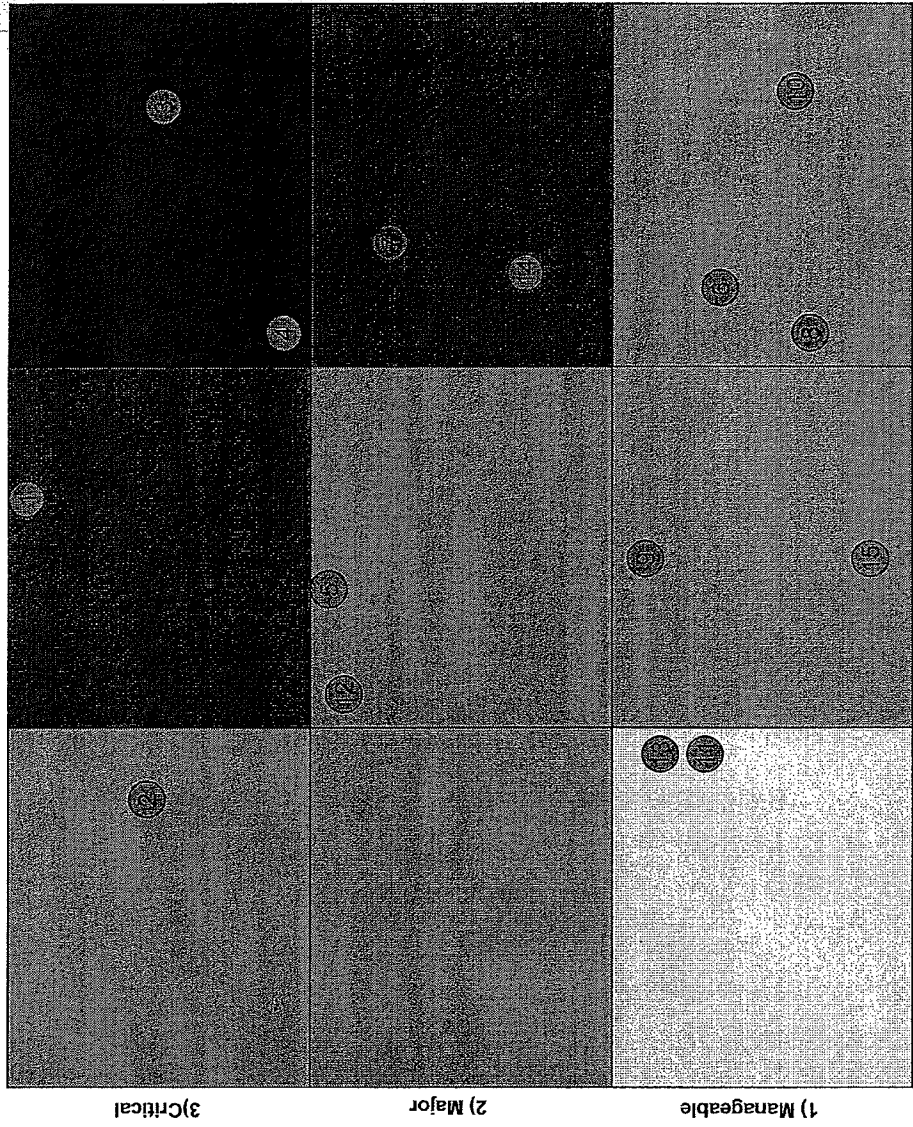
Critical – Potential quarterly cash flow impact >\$25 Million

Objectives

- Earn appropriate rate of return on investment
- Attain consistent financial performance
- Grow regulated and non reg. business
- Improve operating efficiencies

Priority risk pre-mitigation

- Utility Regulation
- Environmental Contamination
- Utility Network Failure
- Financial Market Disruptions
- Natural Disasters
- Material Misstatement
- Weather
- Commodity Price Increase
- Industrial Accident
- Condemnation
- Work Stoppages
- Loss of Key Personnel
- Environmental Regulation
- Failed Business Development
- Failed Tuck in



Critical

Critical Risk Mitigation Activities

- **Utility Regulation – Owner Walter Lynch/Paul Foran**
 - Accept this risk as a core competency
 - Reduce through diversification by State, and diminish risk through strong working relationships with regulators centered on the State President role
- **Utility Network Failure – Owner John Young/Gary Naumick**
 - Accepting and managing this risk is a core competency
 - Reduce this
 - ◆ naturally through disperse operations
 - ◆ maintaining strong policy on capex planning and prioritization
 - ◆ maintain well documented emergency response procedures
 - Share this risk through insurance program



Critical Risk Mitigation Activities

- **Environmental Contamination – Owner John Young/Bill Komianos**
 - Reduce this
 - ◆ naturally through disperse operations
 - ◆ maintaining strong operating policies
 - ◆ operations risk management monitors this risk
 - ◆ maintain well documented emergency response procedures
 - Avoid the use of Chlorine through research on substitutes
- **Financial Market Disruptions – Owner Ellen Wolf/ James Kalinovich**
 - Reduce this through:
 - ◆ Minimized use of Short-term debt
 - ◆ Diversified retirement trust investment portfolio
 - ◆ Issue equity as needed to maintain strong capital structure
 - Avoid need for retirement trusts by changing benefit program



ERM and the Commercial Development Process (CDP)

- **Enterprise Risk Management is a key element of the Commercial Development Process**
 - Risk & Opportunities Model (ROM) is required for projects going through CDP, from the Development Approval stage onward
 - ERM in project reviews establishes a balance between financial, strategic, operational, and other risks, and is more than just managing the risk associated with accidental losses
 - Risks are identified through ROM as projects are being considered, and assessed on a scoring system relative to size, probability, and level of impact on both a gross (before mitigating actions) and net basis (after risk control strategy is identified for each risk)
- **Serving Multiple Interests through the Discipline in AW's CDP**
 - By identifying and proactively addressing risks and opportunities for projects, we can protect and create value for multiple stakeholders including shareholder owners, employees, customers, and regulators



Appendix



Income Statement

Consolidated Statements of Operations	Nine Months Ended September 30,		Variance
	2008	2009	
Operating revenues	\$ 1,768,377	\$ 1,842,866	\$ 74,489
Operating expenses			
Operation and maintenance	984,063	985,861	1,798
Depreciation and amortization	199,599	216,939	17,340
General taxes	151,074	154,814	3,740
Gain on sale of assets	(413)	(976)	(563)
Impairment charge	750,000	450,000	(300,000)
Total operating expenses (Ex-Impairment)	1,334,323	1,356,638	22,315
Operating income (loss)	434,054	486,228	52,174
Other income (deductions)			
Interest, net	(212,718)	(219,791)	(7,073)
Allowance for other funds used during construction	10,370	9,208	(1,162)
Allowance for borrowed funds used during construction	6,063	5,537	(526)
Amortization of debt expense	(4,360)	(5,158)	(798)
Other, net	1,375	(605)	(1,980)
Total other income (deductions)	(199,270)	(210,809)	(11,539)
Income (loss) before income taxes	234,784	275,419	40,635
Provision for income taxes	83,612	94,873	11,261
Net income (Ex-Impairment)	\$ 151,172	\$ 180,546	\$ 29,374



Key Performance Indicators – Consolidated

(\$ in millions)	For the year ended,					CAGR 2009-2012
	2008 Actual	2009 Forecast	2010	2011	2012	
Operating revenues	2,336.9	2,465.2	2,734.6	2,936.2	3,165.0	8.7%
Operating income*	563.1	614.4	694.2	777.0	877.4	12.6%
EBIT*	568.1	615.3	696.6	779.3	879.6	12.6%
Net Income to Common Stock*	176.1	204.1	226.7	263.0	320.0	16.2%
Average Shares Outstanding	160.0	168.0	178.1	186.6	202.3	6.4%
Earnings per share	\$ 1.10	\$ 1.21	\$ 1.27	\$ 1.41	\$ 1.58	9.2%
Operating Margin (Op. Inc./Revenue)	24.1%	24.9%	25.4%	26.5%	27.7%	
Efficiency Ratio (O&M Exp./Revenue)	55.8%	54.8%	54.8%	54.0%	52.9%	
Net Capital Expenditure	1,008.8	800.0	858.9	941.0	982.6	
Net Operating Cash Flow	552.2	602.6	661.7	700.8	781.2	9.0%
Customer Satisfaction Survey (%)	>=70%	>=90%	>=90%	>=90%	>=90%	
Service Quality Survey (%)	>=83%	>=85%	>=85%	>=85%	>=85%	
Return on Equity - excluding Goodwill	6.7%	7.4%	7.9%	8.5%	9.3%	
Return on Equity - including Goodwill	4.1%	5.1%	5.5%	6.1%	6.8%	

* Excluding impairment charges (Non-GAAP Measure)



Consolidated Financial Statements - Income Statement

	Actual		Forecast		Current Plan			CAGR	
	2008	2009	2010	2011	2010	2011	2012	2009-2012	
Operating revenues	\$ 2,336.9	\$ 2,465.2	\$ 2,734.6	\$ 2,936.2	\$ 3,165.0				8.7%
Operating Expenses									
Operation and maintenance	1,303.8	1,351.5	1,499.2	1,584.4	1,673.2				7.4%
Depreciation and amortization	271.3	293.1	317.5	337.6	362.6				7.4%
General taxes	199.1	206.2	223.7	237.2	251.8				6.9%
(Gain) loss on sale of assets	(0.4)	(1.0)	0.0	0.0	0.0				N/A
Impairment charges	750.0	450.0	0.0	0.0	0.0				N/A
Total operating expenses, net	2,523.8	2,299.8	2,040.4	2,159.2	2,287.6				7.3%
Operating income	(186.9)	165.4	694.2	777.0	877.4				12.5%
Other income (deductions)									
Interest	(285.2)	(300.1)	(336.6)	(364.1)	(371.3)				7.4%
AFUDC	22.7	18.5	19.6	24.2	25.6				11.6%
Amortization of debt expense	(5.9)	(6.8)	(5.5)	(5.6)	(5.9)				-5.0%
Preferred dividends of subsidiaries	(0.2)	(0.2)	0.0	0.0	0.0				N/A
Other, net	4.9	(0.1)	2.3	2.3	2.2				N/A
Total other income (deductions)	(263.7)	(288.8)	(320.2)	(343.2)	(349.3)				6.5%
Income before income taxes	(450.6)	(123.4)	374.0	433.8	528.1				18.2%
Taxation	111.8	115.6	147.4	170.8	208.1				19.3%
Net income from continuing operations	(562.4)	(239.0)	226.7	263.0	320.0				16.2%
Dividends on preferred stock	0.0	0.0	0.0	0.0	0.0				N/A
Net income to common stock	(562.4)	(239.0)	226.7	263.0	320.0				16.2%
Impairment (net of tax)	(738.5)	(443.1)							
Net income to common stock, prior to impairment	\$ 176.1	\$ 204.1	\$ 226.7	\$ 263.0	\$ 320.0				16.2%
Earnings per share	\$ (3.52)	\$ (1.42)	\$ 1.27	\$ 1.41	\$ 1.58				
Earnings per share, excluding impairment	\$ 1.10	\$ 1.21	\$ 1.27	\$ 1.41	\$ 1.58				
Average Shares (in millions)	160.0	168.0	178.1	186.6	202.3				

* Forecast represents 9 months actual and 3 months forecast (Non-GAAP Financial Measure)



Consolidated - Income Statement by Layer

Revenues	Base Business			Total Base
	Regulated	Non-regulated	Parent & Other	
2008	2,082.7	272.2	(18.0)	2,336.9
2009**	2,225.8	260.4	(21.0)	2,465.2
2010	2,450.5	284.7	(0.5)	2,734.6
2011	2,629.1	307.6	(0.5)	2,936.2
2012	2,819.5	346.1	(0.5)	3,165.0

Operating Income*	Base Business			Total Base
	Regulated	Non-regulated	Parent & Other	
2008	528.0	23.7	11.4	563.1
2009**	580.6	20.9	12.9	614.4
2010	658.0	25.5	10.7	694.2
2011	737.6	29.3	10.1	777.0
2012	830.7	36.9	9.7	877.4

* Operating Income excludes impairment (Non-GAAP Financial Measure)

** 2009 Forecast represents 9 months actual and 3 months forecast

Consolidated Financial Statements

Statement of Cash Flows

	Actual		Forecast		Current Plan		
	2008	2009	2008	2009	2010	2011	2012
Net Income	(562.4)	(239.0)			226.7	262.9	320.0
Adjustments							
Depreciation and Amortization	271.3	293.1			317.5	337.6	362.6
Impairment Charges	750.0	450.0			-	-	-
Removal costs net of salvage	41.5	41.2			45.0	47.6	50.0
Provision for deferred income taxes	95.6	122.3			114.5	91.2	101.6
Amortization of deferred investment tax credits	(1.3)	(1.4)			(0.5)	(0.5)	(0.3)
Provision for losses on utility accounts receivable	17.3	23.3			24.4	24.8	25.6
Allowance for other funds used during construction	(14.5)	(11.3)			(10.2)	(13.2)	(14.8)
(Gain) loss on sale of assets	(0.4)	(1.0)			-	-	-
Changes in working capital	(99.5)	(40.5)			(26.2)	(22.8)	(30.0)
Other Operating Activities	54.6	(34.1)			661.7	700.8	781.2
Net cash provided by operating activities	552.2	602.6			(931.5)	(1,016.7)	(1,059.2)
Capital Expenditures	(1,008.8)	(903.4)			10.2	13.2	14.8
Allowance for other funds used during construction	14.5	11.3			(78.2)	(14.2)	(24.9)
Acquisitions	(12.5)	(8.1)			(8.9)	(12.7)	(10.2)
Removal costs from property, plant and equipment retirements,	(24.8)	(0.4)			16.8	23.9	(0.9)
Net funds (restricted) released	2.5	(53.7)			0.0	0.0	0.0
Other Investing Activities	(4.5)	(3.4)			(91.6)	(1,006.5)	(1,080.4)
Net cash used in investing activities	(1,033.7)	(957.7)			270.0	400.0	-
Proceeds from long-term debt	279.9	804.9			(44.7)	(34.9)	(31.2)
Repayment of long-term debt	(241.5)	(207.0)			(60.6)	25.3	(14.9)
Net borrowings (repayments) under short-term debt agreements	258.7	(393.1)			72.6	75.6	76.5
Advances and contributions for construction net of refunds	3.1	103.4			(0.0)	0.0	(0.0)
Capital Contributions	245.0	(25.9)			(5.6)	(3.6)	(2.4)
Debt issuance costs	(4.0)	6.8			(0.2)	(0.2)	(0.2)
Redemption of preferred stocks	(0.2)	(0.2)			(146.7)	(158.6)	(180.6)
Dividends paid	(64.1)	(174.2)			252.0	2.0	452.0
Proceeds from common stock, net of issuance costs	0.6	243.8			336.9	305.7	299.2
Net cash provided by financing activities	477.6	358.5			7.0	(0.0)	0.0
Net increase in cash and cash equivalents	(3.9)	3.5			13.0	20.0	20.0
Cash and cash equivalents at beginning of year	13.5	9.5			20.0	20.0	20.0
Cash and cash equivalents at end of year	9.5	13.0					

*Forecast represents 9 months actual and 3 months forecast



Consolidated Financial Statements

Balance Sheet: Assets

	Actual		Forecast*		Current Plan	
	2008	2009	2010	2011	2011	2012
(\$ in millions)						
Assets						
Property, plant and equipment						
Utility plant-at original cost, net of accumulated depreciation	9,991.8	10,564.1	11,223.6	11,864.7	12,535.5	
Nonutility property, net of accumulated depreciation	132.1	148.0	159.3	167.4	175.6	
Total property, plant and equipment	10,123.9	10,712.1	11,382.9	12,032.1	12,711.0	
Current assets						
Cash and cash equivalents	9.5	13.0	20.0	20.0	20.0	20.0
Restricted funds	0.5	35.9	42.6	18.4	18.4	18.4
Utility accounts receivable	149.2	161.9	186.7	198.6	198.6	219.2
Allowance for uncollectible accounts	(18.6)	(23.5)	(30.9)	(37.4)	(37.4)	(44.2)
Unbilled utility revenues	134.2	137.2	138.0	137.4	137.4	145.9
Non-regulated trade and other receivables, net	68.9	68.4	59.1	68.8	68.8	72.9
Taxes receivable, including federal income	-	10.2	10.2	10.2	10.2	10.2
Materials and other supplies	28.9	29.7	29.2	28.8	28.8	29.2
Other	45.1	55.3	66.2	76.0	76.0	88.6
Total current assets	417.7	488.1	521.0	520.7	520.7	560.3
Regulatory and other long-term assets						
Regulatory assets	919.7	954.6	976.2	984.3	984.3	963.6
Restricted funds	10.6	28.8	5.4	5.6	5.6	6.6
Goodwill	1,699.5	1,250.1	1,250.1	1,250.1	1,250.1	1,250.1
Other	60.4	54.8	68.7	87.6	87.6	105.3
Total regulatory and other long-term assets	2,690.2	2,288.3	2,300.3	2,327.5	2,327.5	2,325.6
Total assets	13,231.8	13,488.5	14,204.2	14,880.4	14,880.4	15,596.9

*Forecast represents 9 months actual and 3 months forecast



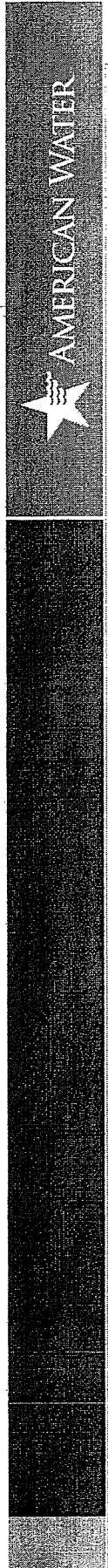
Consolidated Financial Statements

Balance Sheet: Liabilities and Equity

	Actual		Forecast*		Current Plan		
	2008	2009	2009	2009	2010	2011	2012
Capitalization and liabilities							
Capitalization							
Common stockholders' equity	4,102.0	3,944.8			4,276.8	4,383.8	4,975.1
Preferred stock without mandatory redemption requirements	4.6	4.6			4.5	4.5	4.5
Long-term debt							
Long-term debt	4,624.1	5,356.7			5,620.0	6,017.5	5,990.0
Redeemable preferred stock at redemption value	24.2	24.0			23.8	23.6	23.4
Total capitalization	8,754.9	9,330.1			9,925.2	10,429.4	10,993.2
Current liabilities							
Short-term debt	479.0	85.9			25.3	50.6	35.3
Current portion of long-term debt	175.8	40.8			2.7	(29.7)	(33.4)
Accounts payable	149.8	162.7			154.8	145.8	133.8
Taxes accrued, including federal	52.5	51.5			52.1	42.2	44.6
Interest accrued	53.6	68.4			68.6	79.5	84.7
Other	194.0	158.0			162.2	172.9	189.0
Total current liabilities	1,104.7	567.3			465.6	461.3	454.1
Regulatory and other long-term liabilities							
Advances for construction	622.2	646.5			683.9	706.9	753.8
Deferred income taxes	705.6	827.1			974.6	1,104.5	1,240.0
Deferred investment tax credits	34.0	32.8			32.3	31.8	31.1
Regulatory liabilities	307.3	324.8			354.2	359.0	355.3
Accrued pension expense	502.1	491.2			486.3	462.7	410.7
Accrued postretirement benefit expense	241.2	236.0			230.2	225.2	219.9
Other	48.5	47.0			40.1	39.2	38.2
Total regulatory and other long-term	2,460.8	2,605.4			2,801.7	2,929.4	3,049.0
Contributions in aid of construction	911.4	985.6			1,011.6	1,060.3	1,100.7
Total capitalization and liabilities	13,231.8	13,488.4			14,204.2	14,880.4	15,596.9

*Forecast represents 9 months actual and 3 months forecast

Information is for base business only, and does not include business development



Regulated Segment - Income Statement

	Actual		Forecast*		Current Plan			CAGR	
	2008	2009	2010	2011	2011	2012	2009-2012		
Operating revenues	\$ 2,082.7	\$ 2,225.8	\$ 2,450.5	\$ 2,629.1	\$ 2,819.5				8.2%
Operating Expenses									
Operation and maintenance	1,116.9	1,178.0	1,292.0	1,361.3	1,421.6				6.5%
Depreciation and amortization	254.8	273.5	290.3	307.1	329.6				6.4%
General taxes	186.0	193.6	210.2	223.2	237.6				7.1%
(Gain) loss on sale of assets	(3.0)	(0.9)	0.0	0.0	0.0				N/A
Impairment charges	0.0	0.0	0.0	0.0	0.0				N/A
Total operating expenses, net	1,554.7	1,644.2	1,792.5	1,891.6	1,988.8				6.5%
Operating income	528.0	581.6	658.0	737.5	830.7				12.6%
Other income (deductions)									
Interest	(227.4)	(233.3)	(264.5)	(284.6)	(310.8)				10.0%
AFUDC	22.7	18.5	19.6	24.2	25.6				11.4%
Amortization of debt expense	(5.3)	(6.3)	(4.9)	(5.1)	(5.3)				-5.6%
Preferred dividends of subsidiaries	0.0	0.0	0.0	0.0	0.0				N/A
Other, net	3.7	1.9	2.5	2.5	2.4				8.1%
Total other income (deductions)	(206.3)	(219.2)	(247.3)	(263.0)	(288.1)				9.5%
Income before income taxes	\$ 321.7	\$ 362.4	\$ 410.7	\$ 474.5	\$ 542.6				14.4%

* Forecast represents 9 months actual and 3 months forecast



Non-Regulated Segment - Income Statement

	Actual		Forecast		Current Plan		
	2008	2009	2008	2009	2010	2011	2012
Operating revenues	\$ 272.2	\$ 260.4	\$ 284.7	\$ 307.6	\$ 346.1		
Operating Expenses							
Operation and maintenance	239.7	229.4	247.5	265.1	294.9		
Depreciation and amortization	5.9	6.0	7.1	8.5	9.5		
General taxes	3.3	4.1	4.5	4.8	4.8		
(Gain) loss on sale of assets	(0.4)	(0.1)	0.0	0.0	0.0		
Impairment charges	0.0	0.0	0.0	0.0	0.0		
Total operating expenses, net	248.5	239.4	259.1	278.4	309.2		
Operating income	23.7	21.0	25.6	29.2	36.9		
Other income (deductions)							
Interest	3.0	3.0	2.2	2.1	1.8		
AFUDC	0.0	0.0	0.0	0.0	0.0		
Amortization of debt expense	0.0	0.0	0.0	0.0	0.0		
Preferred dividends of subsidiaries	0.0	0.0	0.0	0.0	0.0		
Other, net	2.5	1.9	2.5	2.5	2.7		
Total other income (deductions)	5.5	4.9	4.7	4.6	4.5		
Income before income taxes	\$ 29.2	\$ 25.9	\$ 30.3	\$ 33.8	\$ 41.4		

* Forecast represents 9 months actual and 3 months forecast



Rate Case Summary

General Rate Cases Finalized in 2008 and 2009

	Docket/ Case Number	Date		Amount Filed	ROE Requested	Effective Date for new rates	ROE Granted	Amount Granted	Rate Base (Approved)
		Filed	1/1/2008						
Michigan	N/A	1/1/2008		\$0.2	10.00%	1/1/2008	10.00%	\$0.2	\$2.7
Iowa	RPU-07-3	8/30/2007		\$6.1	11.25%	2/1/2008	10.40%	\$4.3	\$70.6
West Virginia	07-0998-W-42T	6/1/2007		\$24.1	11.25%	3/28/2008	10.00%	\$14.5	\$401.3
Arizona (Sun City WW)	WS-01303A-06-0491	7/28/2006		\$3.9	11.75%	4/1/2008	10.60%	\$2.4	\$28.7
Long Island	07-W-0508	5/1/2007		\$9.6	11.00%	4/1/2008	9.50%	\$6.6	\$91.7
California (Sacram., etc)	07-01-036,037,038,039	1/1/2007		\$16.4	11.50%	6/1/2008	10.15%	\$13.0	\$125.0
Arizona (Sun City water)	WS-01303A-06-0209	4/30/2007		\$2.2	11.75%	6/1/2008	10.80%	\$1.9	\$25.3
Arizona (Anthem)	WS-01303A-06-0403	6/16/2006		\$7.0	11.75%	6/4/2008	8.80%	\$4.3	\$56.4
Virginia	PUE-2008-00009	1/30/2008		\$4.3	11.25%	7/8/2008	10.50%	\$3.4	\$79.8
Illinois	07-0507	8/31/2007		\$32.8	11.25%	8/8/2008	10.35%	\$21.6	\$532.1
Tennessee	08-00039	3/14/2008		\$7.6	11.75%	10/1/2008	10.20%	\$1.7	\$121.7
Ohio	07-1112-WS-AIR	10/1/2007		\$5.5	11.25%	11/13/2008	10.88%	\$5.3	\$61.5
Missouri	WR-2008-0311	3/31/2008		\$49.8	11.25%	11/28/2008	10.00%	\$34.5	\$740.1
Pennsylvania (WW)	R-2008-2032689	4/28/2008		\$2.7	11.50%	11/14/2008	10.60%	\$1.9	\$18.5
New Jersey	WR-08010020	1/14/2008		\$125.0	11.50%	12/8/2008	10.30%	\$72.1	\$1,697.0
West Virginia	08-0900-W-42T	5/30/2008		\$14.8	11.75%	3/26/2009	10.00%	\$5.2	\$414.7
New Mexico	08-00134-UT	6/30/2008		\$2.2	11.75%	5/20/2009	10.25%	\$1.4	\$30.0
AWWM (NJ)	WR08080550	8/1/2008		\$3.0	11.50%	5/21/2009	10.30%	\$1.6	\$15.1
California (ROE)	A 08-05-003	5/1/2008		\$2.8	11.50%	5/6/2009	10.20%	\$0.1	N/A
Kentucky	2008-00427	10/31/2008		\$18.5	11.50%	6/1/2009	10.00%	\$10.3	\$301.3
Michigan	N/A	6/22/2009		\$0.2	10.50%	7/1/2009	10.50%	\$0.2	\$2.3
California (Monterey Water)	A 08-01-027	1/30/2008		\$35.3	11.50%	5/11/2009	10.20%	\$12.1	\$102.5
California (Monterey WW)	A 08-01-023	1/30/2008		\$1.8	11.50%	7/9/2009	10.20%	\$1.7	\$2.0
California (Gen Office)	A 08-01-024	1/30/2008		\$6.4	11.50%	5/11/2009	10.20%	\$2.2	N/A
Maryland	9187	4/30/2009		\$0.8	11.75%	9/10/2009	10.75%	\$0.6	\$11.6
Iowa	RPU-2009-0004	4/30/2009		\$9.4	12.20%	7/27/2009	10.50%	\$6.1	\$82.4
Pennsylvania	R-2009-2097323	4/24/2009		\$58.1	12.00%	1/7/2009	10.60%	\$30.8	\$1,840.2

• Infrastructure charges granted January 1, 2008 through September 30, 2009 of \$40.6 million

• Infrastructure charges granted in October 2009 of \$4.6 million

• Infrastructure charges were finalized in 2009 which will provide annual revenue of \$26.6 million



Rate Cases, by State

(in US\$000 unless noted otherwise)

State	D / G	Month filed	Test Year	W / S	Eff. Date	Filed Amt.	Filed ROE	2010	2011	2012	2013+	Exp Annl. Revenues	Exp ROE	Rate Base: New Order	BP / Filed Amt
Arizona	G	May-08	2007	WS	Jan-10	\$19,961	11.75%	7,404				7,404	10.00%	198,273	37.1%
Arizona	G	Jul-09	2008	WS	Jan-11	\$20,628	12.25%		9,965			9,965	10.00%	165,939	48.3%
Arizona	G	Nov-10	2010	WS	Apr-12	\$21,030	12.25%			7,202	3,313	10,515	10.00%	217,240	50.0%
California	G	Jan-08	2009	W	May-09	\$11,548	10.20%	3,940	1,336			5,276	10.20%	108,545	45.7%
California	G	Jan-08	2009	S	Jul-09	\$1,352	10.20%	851	135			986	10.20%	2,033	72.9%
California	G	Jan-09	2010	W	Jan-10	\$19,719	10.20%	11,183	7,045			18,228	10.20%	177,433	92.4%
California	G	Jan-10	2010	W	Jan-10	\$203	10.20%	203	241			444	10.20%	177,433	218.7%
California	G	Jan-10	2010	W	Jan-10	\$408	10.20%	408	438			846	10.20%	177,433	207.4%
California	G	Jan-09	2010	W	Jan-10	\$807	10.20%		807			807	10.20%		100.0%
California	G	Jan-10	2010	W	Jan-10	\$2,512	10.20%	2,512	2,149			4,661	10.20%		185.5%
California	G	Jan-10	2010	W	Various	\$1,257	10.20%	629	774			1,403	10.20%		111.8%
California	G	Jan-10	2012	WS	Jan-12	\$52,869	10.20%			43,899		43,899	10.20%	421,923	83.0%
Hawaii	G	Jan-10	2011	S	Nov-11	\$1,400	10.60%		206	607		813	10.60%	27,284	58.1%
Illinois	D	Dec-09			Jan-10	\$424	10.35%	424				424	10.35%	597,952	66.4%
Illinois	G	May-09	Dec-10	WS	May-10	\$60,519	12.25%	27,167	12,989			40,156	10.35%		100.0%
Illinois	D	Dec-10			Jan-11	\$1,423	10.35%		1,423			1,423	10.35%		100.0%
Illinois	G	Mar-11	Dec-12	WS	Feb-12	\$35,299	11.75%			21,352	2,036	23,388	10.35%	673,787	66.3%
Indiana	D	Feb-09		W	Apr-09	\$7,734	10.00%	2,256				2,256	10.00%	29,855	29.2%
Indiana	G	Apr-09	Nov-08	WS	Apr-10	\$46,890	12.00%	20,051	10,025			30,076	10.75%	652,283	64.1%
Indiana	D	Sep-10		W	Nov-10	\$3,606	10.75%	504	3,102			3,606	10.75%		100.0%
Indiana	G	Apr-11	Dec-10	WS	Apr-12	\$31,260	12.00%			13,850	6,925	20,775	10.75%	710,164	66.5%
Iowa	G	Apr-09	Dec-08	W	Feb-10	\$9,404	12.20%	4,056				4,056	9.09%	82,196	43.1%
Iowa	G	Apr-11	Dec-10	W	Feb-12	\$5,671	11.25%		625	1,607	218	2,450	8.61%	95,660	43.2%
Kentucky	G	Nov-08	May-10	W	Jun-09	\$18,069	11.50%	4,292				4,292	10.00%	301,329	23.8%
Kentucky	G	Feb-10	Sep-11	W	Oct-10	\$28,129	11.50%	5,637	16,910			22,547	10.00%	366,266	80.2%
Kentucky	G	Jan-12	Aug-13	W	Sep-12	\$9,726	11.50%			1,772	3,544	5,316	10.00%	369,311	54.7%



Rate Cases, by State (continued)

State	D / G	Month filed	Test Year	W / S	Eff. Date	Filed Amt.	Filed ROE	2010	2011	2012	2013+	Exp Annl. Revenues	Exp ROE	Rate Base: New Order	BP / Filed Amt		
Long Island	G	May-07	2006	W	Apr-09		11.00%	1,026	259			1,285	9.50%	91,700	n/a		
Long Island	G	May-10	2009	W	Apr-11		11.00%		3,899	2,297	1,740	7,936	9.50%	97,260	n/a		
Maryland	G	Apr-09	Dec-08	W	Oct-09	\$793	11.75%	362				362	10.50%	11,628	45.6%		
Maryland	G	Apr-11	Dec-10	W	Oct-11	\$580	11.75%		88	265		353	10.50%	12,546	60.9%		
Michigan	G	Jun-09	Jun-10	W	Jul-09	\$190	10.50%	95				95	10.50%	2,808	50.0%		
Michigan	G	Jun-10	Jun-11	W	Jul-10	\$289	11.00%	137				274	10.00%	3,745	94.8%		
Missouri	D	Apr-09	Jun-09	W	Jul-09	\$2,285	10.00%	1,938				1,938	10.00%	18,526	84.8%		
Missouri	D	Dec-09	Jun-10	W	Apr-10	\$3,117	10.00%	1,502	1,615			3,117	10.00%	22,133	100.0%		
Missouri	G	Oct-09	Jun-09	W	Sep-10	\$32,350	12.00%	3,858	10,733			14,591	10.00%	777,689	45.1%		
Missouri	D	Dec-10	Jun-11	W	Apr-11	\$3,428	10.00%		2,594	834		3,428	10.00%	25,309	100.0%		
Missouri	D	Jun-11	Dec-10	W	May-12	\$55,766	12.00%			22,459	11,746	34,205	10.00%	854,849	61.3%		
Missouri	D	Jun-12	Jun-10	W	Oct-12	\$4,488	10.00%			908	3,580	4,488	10.00%	32,974	100.0%		
New Jersey	G	Jan-10	Jun-10	W	Jan-11	\$97,273	12.00%		53,500			53,500	10.30%	1,834,898	55.0%		
New Mexico	G	Jun-08	2007	W	May-09	\$2,169		488				488	10.25%	30,044	22.5%		
New Mexico	G	Aug-09	2008	W	Jul-10	\$677	12.25%	235	241			476	10.25%	3,957	70.3%		
New Mexico	G	Jun-11	2010	W	Jun-12	\$1,800	12.25%			686		686	10.25%	33,504	38.1%		
Ohio	D	Sep-09	Jun-09	W	Jun-09	\$560	10.88%	256				\$256	10.88%	4,248	45.7%		
Ohio	G	May-09	Sep-09	WS	Apr-10	\$6,751	12.20%	3,515	1,758			\$5,273	10.75%	72,559	60.3%		
Ohio	D	May-11	Jun-11	W	Jun-11	\$321	10.75%		161			\$322	10.75%	2,783	100.3%		
Ohio	G	May-11	Sep-11	WS	Apr-12	\$15,575	12.20%			161		\$10,243	10.00%	120,720	65.8%		
Pennsylvania	G	Apr-09	Dec-09	W	Nov-09	\$57,387	12.00%			6,829	3,414	40,074	10.80%	1,840,166	89.8%		
Pennsylvania	G	Apr-10	Dec-10	S	Jan-11	\$14,975	12.00%	40,074		1,658	7,984	11,751	10.60%	105,200	78.5%		
Pennsylvania	D	Apr-11	Apr-11	W	Apr-11	\$12,149	12.00%		12,149			12,149			100.0%		
Pennsylvania	G	Apr-11	Dec-11	W	Jan-12	\$78,703	12.00%			37,854	4,425	42,279	10.80%	2,071,773	53.7%		
Tennessee	G	Jul-10	Dec-11	W	Jan-11	\$9,943	11.50%		6,202	2,727	3,818	6,202	10.00%	127,998	62.4%		
Tennessee	G	Feb-12	Dec-12	W	Aug-12	\$9,480	11.00%		6,202			6,545	10.00%	142,811	89.0%		
Texas	G	Apr-11	Dec-10	WS	Feb-12	\$894	12.00%			226		452	10.00%	5,934	50.6%		
Virginia	G	Jan-10	Sep-09	W	Jul-10	\$6,344	12.00%	2,299	2,056			4,355	10.50%	97,935	88.6%		
Virginia	G	Jan-11	Sep-10	W	Jul-11	\$4,980	12.00%		1,801	1,609		3,410	10.50%	107,621	85.5%		
West Va.	G	May-08	Dec-07	W	Mar-09	\$15,878	11.75%	1,295				1,295	10.00%	421,561	8.2%		
West Va.	G	Jun-10	Jun-09	W	Mar-11	\$16,091	11.50%		6,668	1,334		8,002	10.00%	436,762	49.7%		
West Va.	D	Jul-10	Jun-09	W	Sep-10	\$191	11.50%	64	362	436	181	1,043			546.1%		
TOTAL								148,661	174,728	170,572	52,924			546,885			

Note: 2010 amounts include some flowthrow from 2009 rate decisions



EBIT by State Utility

	2009		2010		2011		2012	
	EBIT	% of Total	EBIT	% of Total	EBIT	% of Total	EBIT	% of Total
\$s in millions								
New Jersey	\$ 171.6	29.4%	\$ 171.8	26.0%	\$ 197.0	26.6%	\$ 180.4	21.7%
Pennsylvania	178.7	30.6%	199.6	30.2%	198.8	26.9%	223.3	26.8%
Indiana	37.0	6.3%	52.7	8.0%	60.2	8.1%	71.1	8.5%
West Virginia	32.7	5.6%	33.8	5.1%	36.8	5.0%	33.6	4.0%
Kentucky	19.8	3.4%	25.8	3.9%	37.5	5.1%	38.3	4.6%
Virginia	8.0	1.4%	8.1	1.2%	11.2	1.5%	12.3	1.5%
New York	11.0	1.9%	10.0	1.5%	11.8	1.6%	12.6	1.5%
Tennessee	6.6	1.1%	7.3	1.1%	11.5	1.6%	12.3	1.5%
Ohio	0.3	0.0%	2.3	0.3%	2.7	0.4%	5.8	0.7%
Maryland	1.0	0.2%	1.1	0.2%	1.1	0.2%	1.3	0.2%
Michigan	0.2	0.0%	0.3	0.1%	0.5	0.1%	0.6	0.1%
Eastern Division	116.6	20.0%	141.6	21.4%	173.4	23.4%	187.9	22.6%
Missouri	52.6	9.0%	57.2	8.7%	60.3	8.2%	76.2	9.1%
Illinois	31.9	5.5%	50.0	7.6%	59.5	8.0%	75.6	9.1%
California	15.5	2.7%	19.1	2.9%	23.7	3.2%	55.2	6.6%
Arizona	5.7	1.0%	8.2	1.2%	15.2	2.1%	20.1	2.4%
Iowa	5.6	1.0%	9.2	1.4%	8.4	1.1%	9.6	1.2%
Hawaii	2.6	0.5%	2.3	0.3%	2.2	0.3%	2.7	0.3%
New Mexico	2.3	0.4%	2.9	0.4%	2.8	0.4%	3.3	0.4%
Texas	0.4	0.1%	0.0	0.0%	0.3	0.0%	0.3	0.0%
Western Division	116.6	20.0%	148.9	22.5%	172.4	23.3%	243.0	29.2%
Consolidating adjustments	(0.0)		(1.4)		(1.6)		(1.5)	
Total Regulated Segment	\$ 583.4		\$ 660.5		\$ 740.0		\$ 833.1	

Accelerated growth in a few states due to "recovery" rate case settlements during planning period



Adjusted EBITDA Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	78,688	385,434	221,685	509,345	750,000
SOX Implementation Costs	0	0	0	15,400	32,002	14,464
Divestiture/Sale Expenses	69,185	0	0	7,359	8,113	8,666
Other (Condemnation/Regulatory Approvals)	0	0	0	29,828	10,465	6,859
Interest and "Interest-like" Items						
Interest	280,501	315,944	345,257	365,970	283,165	285,155
Allowance for Other Funds Used During Construction	(8,326)	(5,476)	(5,810)	(5,980)	(7,758)	(14,497)
Allowance for Borrowed Funds Used During Construction	(5,132)	(2,923)	(2,420)	(2,652)	(3,448)	(6,171)
Amortization of Debt Expense	3,872	3,377	4,367	5,062	4,867	5,895
Preferred Dividends	487	410	227	215	225	225
Income Taxes	60,271	66,328	50,979	46,912	86,756	111,827
Depreciation and Amortization	210,588	225,260	261,364	259,181	267,335	271,261
EBITDA	\$551,441	\$740,783	\$764,288	\$787,128	\$848,790	\$899,263

Adjusted Net Income Reconciliation

	Historical					LTM
	2003	2004	2005	2006	2007	2008
(\$ in Thousands)						
Net Income (Loss) from Continuing Operations	\$42,140	\$59,100	(\$275,130)	(\$155,850)	(\$342,275)	(\$562,421)
Adjustments						
Impairment charges	3,555	55,276	378,057	217,501	501,515	738,475
SOX Implementation Costs	0	0	0	9,394	19,178	8,678
Divestiture/Sale Expenses	42,203	0	0	4,489	4,860	5,200
Other (Condemnation/Regulatory Approvals)	0	0	0	17,334	6,269	4,116
Adjusted Net Income from Continuing Operations	\$87,899	\$114,376	\$102,927	\$92,668	\$199,637	\$134,048

Adjusted Earnings Per Share Reconciliation

	Historical					Q1 2009
	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008
(\$ in Thousands, except per share data)						
Net Income (Loss) from Continuing Operations	(\$342,626)	(\$732,484)	\$45,498	\$88,158	\$36,407	(\$562,421)
Adjustments						
Add: Impairment charges	509,345	750,000	0	0	0	750,000
Less: Income Tax Benefit relating to Impairment charge	(7,830)	(11,525)	0	0	0	(11,525)
Net Income excluding impairment charge	158,689	5,991	45,498	88,158	36,407	176,054
Basic Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10
Diluted Earnings Per Common Share Excluding Impairment	\$0.99	\$0.04	\$0.28	\$0.55	\$0.23	\$1.10



Reconciliation – FFO, Adjusted EBITDA

	2008		2009		2010		2011		2012	
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan
FFO Calculations										
Net income from continuing operations	(562.4)	(247.8)	226.7	262.9	320.0					
+ Depreciation and amortization	271.3	292.9	317.5	337.6	362.6					
+ Impairments	750.0	450.0	-	-	-					
+ Removal costs net of salvage	41.5	41.3	45.0	47.6	50.0					
+ Provision for deferred income tax credits	95.6	121.8	114.5	91.2	101.6					
+ Amortization of deferred income tax credits	(1.3)	(1.3)	(0.5)	(0.5)	(0.3)					
+ Provision for losses on accounts receivable	17.3	23.6	24.4	24.8	25.6					
+ Allowance for other funds used during construction	(14.5)	(11.2)	(10.2)	(13.2)	(14.8)					
+ Gain / (Loss) on sale of assets	(0.4)	(0.7)	-	-	-					
- Deferred regulatory costs	-	-	-	-	-					
+ Amortization of deferred charges	55	(31)	(26)	(23)	(30)					
+/- Other, net	(105)									
+/- Adjustment										

(1) Funds From Operations \$ 547 \$ 638 \$ 691 \$ 728 \$ 815

EBITDA Calculations

Net income from continuing operations	(560.1)	(247.8)	226.7	262.9	320.0
+Interest	285.2	300.6	336.6	364.1	371.3
+Taxes	111.8	120.0	147.4	170.8	208.1
+ Depreciation and amortization	271.3	292.9	317.5	337.6	362.6

EBITDA \$ 108 \$ 466 \$ 1,028 \$ 1,135 \$ 1,262

+Impairment charges 750 - - - -

(3) Adjusted EBITDA \$ 858 \$ 916 \$ 1,028 \$ 1,135 \$ 1,262



Reconciliation – Adjusted Debt and Interest

	2008	2009	2010	2011	2012
	Actual	Plan	Plan	Plan	Plan
Total Debt					
+Short-term debt	479	86	25	51	35
+Current portion of long-term debt	176	41	3	(30)	(33)
+Current portion of redeemable preferred stock at redemption value		0	0	0	0
+Long-term debt	4,624	5,357	5,820	6,018	5,990
+Redeemable preferred stock at redemption value	24	24	24	24	23
Total Debt	\$ 5,303	\$ 5,507	\$ 5,672	\$ 6,062	\$ 6,015
(345)					
-Equity Portion of Mandatory Unit	483	438	430	392	330
+Unfunded Pension and OPEB Liability, net of tax	160	160	160	160	160
+Capital Leases	54	68	69	79	85
+Accrued Interest	(12)	(12)	(12)	(12)	(12)
-Preferred Shares with mandatory redemption requirements		6,161	6,318	6,682	6,579
(2) Adjusted Debt	\$ 5,643	\$ 6,161	\$ 6,318	\$ 6,682	\$ 6,579
Total Equity					
+Common stockholder's equity	4,102.0	3,945.3	4,276.8	4,383.8	4,975.1
+Preferred stocks without mandatory redemption requirements	4.6	4.6	4.5	4.5	4.5
+Preferred stocks with mandatory redemption requirements	12.1	12.0	11.9	11.8	11.7
+Top side adjustment to 2007 reforecast	100				
-Impairment, net of RWE Equity					
Total Equity	\$ 4,219	\$ 3,962	\$ 4,293	\$ 4,400	\$ 4,991
+Equity Portion of Mandatory Unit					
Adjusted Equity	\$ 4,219	\$ 3,962	\$ 4,293	\$ 4,400	\$ 4,991
Adjustment	451.7				
Cash interest Paid					
+Adjusted Interest	281	301	337	364	371
+Purchase accounting fair value adjustment (noncash)	22				
Cash interest Paid	\$ 304	\$ 301	\$ 337	\$ 364	\$ 371
+Interest	285	301	337	364	371
-Interest Savings on RWE equity	(4)				
(4) Adjusted Interest	\$ 281	\$ 301	\$ 337	\$ 364	\$ 371



Calculations

$$\text{FFO/Adjusted Debt} = \text{Funds from Operations} / \text{Adjusted Debt}$$

$$\text{FFO/Adjusted Interest} = (\text{Funds from Operations} + \text{Cash Interest} + \text{Allowance for borrowed funds used during construction}) / \text{Interest}$$

$$\text{Adjusted Debt} / \text{Adjusted EBITDA} = \text{Adjusted debt} / \text{Adjusted EBITDA}$$

$$\text{Adjusted Debt} / \text{Adjusted Capitalization} = \text{Adjusted Debt} / (\text{Adjusted Debt} + \text{Adjusted Equity})$$