

PRESS RELEASE



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PENNSYLVANIA AMERICAN WATER FILES RATE REQUEST FOR CLAYSVILLE-DONEGAL WASTEWATER SYSTEM

Proposed rates driven by \$940,000 capital investment

MCMURRAY, Pa. (April 23, 2010) -- Pennsylvania American Water today filed a request with the Pennsylvania Public Utility Commission (PUC) to increase sewer rates for customers of its Claysville-Donegal wastewater system.

Under the proposed new rates, the typical residential customer's wastewater bill would increase from \$38.30 per month to \$92.75. The company requested that the new rates become effective June 22, 2010, however the PUC typically suspends such requests for up to six-to-nine months to permit a complete investigation and analysis.

Pennsylvania American Water President Kathy L. Pape said, "The proposed increase is needed to help recover approximately \$940,000 that our company will have invested since acquiring the system to address past environmental issues and to improve the quality and reliability of wastewater service. Our significant capital investment equates to spending more than \$1,800 per customer in the Claysville-Donegal area."

This request is Pennsylvania American Water's first since acquiring the system in July 2008. The company's capital improvements include upgrades to the wastewater treatment facilities and collection system.

Pape noted that the upgrades are required to begin to resolve environmental issues that the Pennsylvania Department of Environmental Protection identified in a Consent Order dated July 31, 2008, pertaining to an overload of the sanitary sewer system and effluent limitations at the wastewater treatment plant. She said the rate increase is also needed to recover increased operational expenses, such as electricity, treatment chemicals and labor.

In its rate case filing, Pennsylvania American Water is proposing to establish an assistance fund through the H2O (Help to Others) Program™ to help disadvantaged customers with their wastewater bills. It would be administered in the same manner as the existing H2O Program for water customers who qualify. Pape said the company is proposing to contribute \$10,000 to create an assistance program that provides grants and service fee discounts for those wastewater customers who qualify.

Pennsylvania American Water provides wastewater service to approximately 500 customers in Claysville Borough and portions of Donegal and Finley townships.

The rate case filed by Pennsylvania American Water requests an increase in annual wastewater revenues of approximately \$487,486. Customers with additional questions can contact the company's customer service center at 1-800-565-7292.

Pennsylvania American Water, a wholly owned subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 2.2 million people. Founded in 1886, American Water is the largest investor-owned U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 16 million people in 35 states, as well as Ontario and Manitoba, Canada. More information can be found by visiting www.amwater.com.

This release contains forward looking statements, including, among others, our plan to continue our long-term strategy of capital investment in our systems. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, changes in regulations or regulatory treatment and availability and the cost of capital. We undertake no obligation to publicly update or revise any forward-looking statement.

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