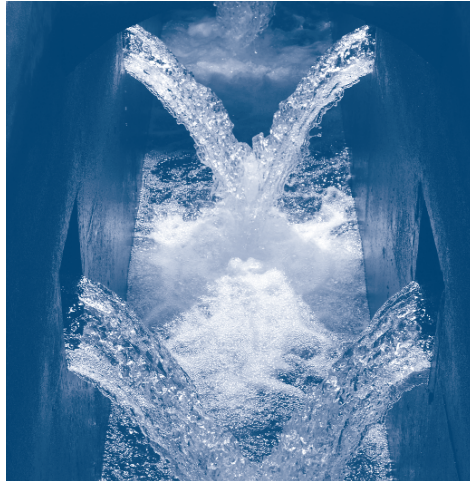




AMERICAN WATER



CODE OF ETHICS

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This Code of Ethics supplements, but does not replace, other American Water policies and practices. Anyone who has questions about the meaning or application of this Code of Ethics or other American Water policies and requirements should seek interpretation or clarification from a member of the Law Department or as otherwise set out in this Code of Ethics.

As used in this Code of Ethics, "director" refers to a member of the board of directors of American Water Works Company Inc. and any of its subsidiary companies. "You" and "we" refer to every director and every American Water employee, regardless of title or position. Unless the context implies otherwise, references in this Code of Ethics to the "company" or "American Water" mean each company in the American Water group.

A MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER OF AMERICAN WATER

For 125 years, American Water has been serving customers and communities throughout the United States and Canada. A company doesn't make that kind of mark in its industry unless it earns it through hard work, expertise and an impeccable reputation.

Our reputation has been built on two of our most important core values: honesty and integrity. We stand firm for our principles and we are committed to doing the right thing, regardless of the consequences. We promote open and direct communication and we are true to our word.

To ensure our colleagues and business partners embrace and reflect these values every day, our Code of Ethics was developed years ago as a set of guidelines for ethical behavior. Conducting business with integrity sometimes requires difficult choices, and adhering to this Code of Ethics helps us make the right decisions.

While the Code is pretty comprehensive, it obviously can't cover every situation you may face. When that happens, use common sense. If you're still at all unsure about a course of action, just ask. You have many options at your disposal: a supervisor, a Human Resources representative, a member of the Law Department – even an anonymous call to the Ethics Hotline.

Though new sections of this Code have been added over time, and others have been revised, we remain steadfast in our pledge that we will not tolerate retaliation against any employee who, in good faith, brings forward a potential Code of Ethics issue.

Our customers, regulators and shareholders trust us to provide high-quality, reliable water and wastewater services and to do so with integrity. It's our job, and it's just the right thing to do.



George MacKenzie
Chairman of the Board



Jeffrey Sterba
President and CEO

AMERICAN WATER'S CODE OF ETHICS SUMMARY

★ Avoiding Conflicts of Interest

All employees have a duty to act in the best interest of American Water. If your personal interests compromise that duty, you have a conflict of interest and must avoid it. Even if your personal interests appear to compromise your duty to American Water, you should report it to ensure you avoid any conflict of interest.

★ Fair Dealing

American Water's reputation and success depend upon our employees conducting business with honesty and integrity. This means that we must act ethically and respectfully toward each other, our customers, our vendors and all others with whom we work.

★ Handling Sensitive Information

Among our most valuable assets is information that is vital to American Water's success. Examples include business plans; strategies; unpublished financial or pricing information; research and development opportunities; new product plans; personnel records; and customer and supplier lists. You are responsible for safeguarding business information that is confidential and proprietary. Sensitive information should never be disclosed to nonauthorized individuals, inside or outside American Water, without permission.

★ Safeguarding Financial Records and Controls

The integrity of American Water's financial records is critical to the operation of our business and is a key factor in maintaining the confidence and trust of our employees and stakeholders. We must ensure that all transactions are recorded properly and that all records and data owned, used and managed by the company are accurate and complete.

★ Government Relations

All American Water dealings with government officials should be marked by honesty and professionalism. If you are representing American Water on government matters, you should be thoroughly familiar with all applicable laws and regulations for dealing with government agencies and officials.

★ Conduct in the Workplace

All employees are expected to adhere to the highest standards of personal conduct. To meet this expectation, employees must comply with this Code of Ethics and all company policies, as well as all federal, state and local laws. Examples include ensuring that all applicants and employees receive equal employment opportunity that is free from all forms of unlawful employment discrimination; conducting business in a safe and environmentally sound manner; and respecting the privacy of American Water's customers.

★ American Water Confidential Ethics Hotline: (877) 207-4888 ★



AMERICAN WATER

AMERICAN WATER STANDARDS

Every director of a company board and employee is required to conduct American Water's business with uncompromising integrity and, in addition to complying with this Code of Ethics, also must observe all applicable laws, regulations and American Water policies and practices. Each of us is required to be familiar with and to follow the Code of Ethics, as well as American Water's policies and procedures.

★ ETHICS IN ACTION ★

Do I need to read this document? There are topics that don't appear to apply to me.

Yes. Every director and employee is responsible for reading and carrying out his or her daily activities in accordance with this Code of Ethics.

In addition, while there may appear to be topics covered in this Code of Ethics that don't apply to you, understanding these standards will help you identify potential violations and the proper course of action should potential violations arise.

Accepting Personal Responsibility

We are all responsible for observing and enforcing this Code of Ethics. Remember, you are responsible for your actions. Each of us must consider whether our actions would violate the intent of this Code of Ethics **before** action is taken, rather than after the fact. In addition, you should not hesitate to raise good faith ethical concerns regardless of your level within the organization. If you are aware of any violations or suspected violations, it is your responsibility to report the incident without delay to the Confidential Ethics Hotline at 877-207-4888. If you have questions about the applicability of this Code of Ethics, you should contact your supervisor, your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of the Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

American Water's "No Retaliation" Policy

American Water will not tolerate retaliation against any employee who brings forward a Code of Ethics issue. We take claims of retaliation seriously. If you know or suspect that you or another employee has been retaliated against for raising a Code of Ethics issue, you must report the incident without delay to the Confidential Ethics Hotline at 877-207-4888.

Making Proper Decisions

All employees are expected to adhere to high standards of personal conduct in conjunction with this Code of Ethics and company policies and practices. This means that individuals subject to this Code of Ethics may not:

- violate any federal, state or local laws or regulations;
- steal or misappropriate company property or the property of another;
- commit fraud or otherwise purposely mislead another;
- offer, give or accept bribes;
- lie, cheat or steal; or
- conduct themselves in any manner, whether on or off the job, that might adversely affect the company's reputation.

The standards discussed in this Code of Ethics incorporate the spirit of integrity and ethical conduct by which American Water expects all of its employees to act. It is impossible, however, to incorporate every scenario into this Code of Ethics. Accordingly, you may be confronted by a situation not specifically covered in this document.

Each of us must consider if our decisions would violate the intent of this Code of Ethics before a course of action is taken. If you are unsure whether a proposed course of action would be in violation, please take the following measures to help ensure that proper decisions are made:

- 1. Gather sufficient facts so you can properly clarify the situation and determine the fundamental issues.**

AMERICAN WATER STANDARDS (continued)

2. Take into account those who will be affected by your decision and make note of any competing interests that might be inconsistent with the company's interests.

3. Ask yourself the following questions:

- Is the intended action lawful?
- Is it consistent with this Code of Ethics and the company's policies and practices?
- Am I being honest?
- Am I reasonably certain that the action will not endanger anyone's life, health, safety or financial stability?
- Would the action appear to be appropriate to others?
- Would I be comfortable if this event was covered on the front page of the local newspaper?
- Could I justify it to my family and friends?

Unless you can answer "yes" to all of these questions, the action you or the other person is about to take may not be ethical and you should contact your supervisor, your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of the Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

★ ETHICS IN ACTION ★

My supervisor directed me to complete a task that may conflict with this Code of Ethics.

What should I do?

Never feel pressured into taking actions that would be in violation of this Code of Ethics, or any other company policy and procedure. If you are directed to carry out activities that you think may be in violation of these principles, please promptly contact your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of your Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

4. Always question the following reactions:

- "No one will ever know."
- "Everyone does it."
- "We can hide it."
- "We didn't have this conversation."
- "It doesn't matter how it gets done, as long as it gets done."

★ ETHICS IN ACTION ★

Whom do I ask if I have questions? How do I report violations?

Questions may be addressed to your supervisor, your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of the Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

If you know, or have a good faith belief that a violation of this Code of Ethics has occurred, you must report it as promptly as possible to the Confidential Ethics Hotline at 877-207-4888.

See "Seeking Advice" and "Reporting Violations" under the heading "Administration" on Page 16 for additional information.

5. If it is still unclear whether the proposed action would be consistent with this Code of Ethics, applicable law or the company's policies and practices, seek additional guidance and advice from your supervisor, your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of the Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

This Code of Ethics serves as a reference to help all of us to recognize and resolve the ethical issues we face and encourages thoughtful decision-making by all American Water directors and employees. It is important to remember that questions about possible violations of this Code of Ethics should be raised before, not after, a course of action is taken.

AVOIDING CONFLICTS OF INTEREST

Acting Properly

All directors and employees have a duty to act in the best interests of American Water. If your personal interests compromise that duty, you have a conflict of interest. Please remember that even the appearance of a conflict of interest should be avoided since the perception of wrongdoing can also be harmful. In order to avoid a conflict of interest, all business decisions you make must be based on what's in the best interest of American Water. Always keep in mind that you may not allow any personal relationship you have with anyone doing business with American Water to affect your decisions in any way other than what is in American Water's best interests.

★ ETHICS IN ACTION ★

My son was offered a job with one of our suppliers. Is this a problem?

A problem exists if your son's position with a supplier creates an obligation, or even the appearance of an obligation, to favor that supplier, particularly if you are in a position to make decisions that affect that supplier. If you have a question, ask your supervisor, your department head, your president, the chief ethics and compliance officer, your Human Resources representative or a member of the Law Department, or you may call the Confidential Ethics Hotline at 877-207-4888.

Any conflict of interest, or even the appearance of a conflict of interest, should be reported to a member of the Law Department or to the Confidential Ethics Hotline at 877-207-4888. Where there is any doubt, it should be reported.

Decisions you make when carrying out American Water's business with customers, suppliers, contractors and other business partners must not be influenced by what you or someone with whom you have a "significant relationship" may gain personally.

A "significant relationship" includes any family member (e.g., spouse, child, sibling, grandchild, stepchild, parent, grandparent, stepparent, niece, nephew, aunt, uncle or in-law), life partner, any person sharing your household, personal friend, and anyone else on whom you depend or who depends on you for financial support.

- You may not conduct American Water business with a company in which you or a person with whom you have a "significant relationship" has a direct or indirect material financial interest. If such an opportunity presents itself, you must disclose the relationship in writing to your president, the chief ethics and compliance officer, or to a member of the American Water Ethics Committee (see Page 16) so the company can take appropriate steps to ensure compliance with our Related Person Transaction Policy, and if appropriate, pursue the opportunity through another employee who does not report to you.
- You may not use company information or your position inappropriately for personal gain.
- Activities outside your employment should not conflict with, or appear to conflict with, your ability to perform your work for American Water.
- Never provide to any person, firm or organization services that interfere with your ability to carry out your duties or responsibilities to American Water.

★ ETHICS IN ACTION ★

I am planning a company dinner and my daughter owns a catering company in town. May I pick her company if the prices are comparable to other catering companies?

No. This may seem unfair, but our policy on avoiding conflicts of interest obligates each of us to avoid even the appearance of a conflict of interest. No matter how comparable the prices of your daughter's company, others might see your decision as favoritism and this clearly violates our policy.

AVOIDING CONFLICTS OF INTEREST (continued)

Corporate Opportunities

Every director and employee owes a duty to American Water to advance its legitimate business interests when the opportunity to do so arises. You may not, without the consent of the company's board of directors:

- personally take advantage of an opportunity discovered while on the job or through your use of corporate property or information, or your position;
- use company property or information, or your position, for personal gain;
- compete with American Water directly or indirectly; or
- acquire a direct or indirect financial interest in property that the company is acquiring or is likely to acquire.

Loans to Directors and Executive Officers

American Water is prohibited by law from directly or indirectly extending or maintaining credit, arranging for the extension of credit, or renewing an extension of credit, in the form of a personal loan to or for any director or executive officer of American Water. Certain other transactional activities in the normal course of business, such as travel advances or relocation assistance, may be granted when properly approved.

Outside Directorships/Outside Employment

American Water employees may not serve as a director of any outside entity if its activities conflict with the interests of American Water. In addition, employees of American Water may not serve as directors of any outside for-profit business organization unless that service is specifically approved by American Water's chief executive officer. There are several factors and criteria that American Water will consider in determining whether to approve an employee's request for an outside business directorship. Directorships in outside companies should satisfy a number of business considerations, including furthering the interests of American Water and not detracting in any material way from the employee's ability to fulfill his or her commitments to American Water. We will also take into consideration the time commitment and potential

personal liabilities and responsibilities associated with the outside directorship in evaluating requests.

Employees of American Water may engage in outside employment, provided that such employment is consistent with company policy, does not conflict with or compromise American Water's interests, and does not adversely affect job performance or the ability to fulfill all responsibilities to American Water.

Accepting and Giving Business Gifts

At times, cultivating and building legitimate business relationships involves giving and receiving business courtesies including gifts, meals, services, entertainment, travel and other items and services that provide value. Generally, exchanging these courtesies is acceptable if they are deemed reasonable in value, appropriate, in good taste, consistent with accepted business practices and do not create the appearance that they have compromised our judgment.

You should never give or accept gifts or services of more than a modest value. There is no hard and fast rule as to what constitutes "modest value." Generally, a gift value of \$100 or less may be used as a guideline as to what falls within that category. For amounts greater than that, you should consult your supervisor. If a gift of more than modest value is offered, it should be refused with a polite explanation of American Water policy.

No gift should be accepted from, or entertainment shared with, a supplier who is competing within the company's strategic sourcing process. A link to a list of suppliers currently competing within this process can be found in the Supply Chain section of the company's intranet at the bottom of the "Our Suppliers" page.

Business courtesies that are offered with the intent to influence purchasing decisions or to persuade you to do anything illegal or against American Water policy should be refused immediately and reported promptly to your supervisor or department head.

AVOIDING CONFLICTS OF INTEREST (continued)

Regardless of value, gifts of currency (including gift cards) must be refused. If you are offered an honorarium for a speaking engagement or for serving on a committee or board, you must obtain your supervisor's approval before accepting it.

It is also important that you are aware of any restrictions that your customers or business contacts are subject to regarding accepting gifts. For example, in most cases, you may not give a U.S. government employee any business courtesy – including gifts, meals, entertainment or travel – unless the government employee pays its fair market value, or unless you have consulted with a member of the company's Law Department in advance and determined that, due to an exception, it would be allowed.

If you are unsure whether or not to accept or give a gift, ask yourself the following questions before making your final decision:

- Would accepting or giving the gift appear to be inappropriate by other employees, regulators and/or members of the media? Seek guidance if

you feel any level of discomfort.

- In accepting or giving the gift, am I truly keeping American Water's best interests in mind or is the intent to influence a decision or to gain personally? If there are strings attached or an underlying purpose other than to build a legitimate business relationship, seek additional guidance.

Strict adherence to these principles is essential to maintaining unquestionable integrity in business relationships and avoiding the appearance of impropriety.

Accepting Entertainment

Generally, you may accept an invitation to attend a social occasion, such as a sporting or cultural event, if it is in good taste, consistent with acceptable business practices, reasonable in value, does not create the appearance that your judgment has been compromised, and your host is present with you at the event. If the person offering you a ticket to an event cannot attend, then it constitutes a business gift, which is discussed above.

FAIR DEALING

American Water's reputation and success depend upon our conducting our business with honesty and integrity. This means that we must act ethically and with respect and integrity toward our customers, vendors and others.

Dealing With Customers

The interests of our customers are fundamental to everything we do, because our reputation depends on the service we deliver.

Your duty as an American Water employee is to deal fairly and truthfully with our customers and to maximize customer satisfaction at every opportunity through quality service, value and efficiency while still meeting the requirements of all laws, regulations and American Water policies.

Respecting the Privacy of Customers

American Water respects the privacy of its customers and is committed to protecting the personal information that we collect from them, are required to collect by law or that is necessary for legitimate business purposes. In that regard, we will follow data protection practices in accordance with applicable laws and regulations when collecting, storing and using personal information and will not share or sell our customers' personal information to outside parties.

As an employee, you must ensure that our customers' personal information, including billing and payment history, remains properly safeguarded. Customer information may be accessed, shared, discussed or otherwise used for legitimate business needs only.

FAIR DEALING (continued)

Dealing With Vendors

American Water is committed to building ethically sound business partnerships with vendors. In doing so, it is critical that transactions be conducted with the highest standards of fair dealing and integrity and in accordance with applicable laws, regulations and American Water policies and procedures.

To obtain the best overall result for the company, American Water negotiates professionally and fairly. Working properly with our vendors is critical to our business success.

The majority of vendors with whom American Water conducts business are selected by category sourcing teams facilitated by the Supply Chain. All agreements must be properly reviewed, consistent with the Contract Administration Policy, and then signed by an officer of the company or someone to whom that authority has been delegated as set forth in the Delegation of Authority. Once an agreement has been signed by all parties, it is up to you to make sure the supplier carries out its obligations and service commitments.

Part of your business activities may involve entering into commitments with suppliers, consultants, independent contractors, business partners or other external parties. It is important that you understand basic principles of business transactions and that you abide by American Water's contracting policies and guidelines. For example:

- We will not enter into any contracts or agreements that violate applicable laws or regulations or compromise the company's ability to comply with laws and regulations.
- Only employees with proper authorization by the company may commit American Water to a contract, service, payment agreement or other obligation.
- Before they are signed, all contracts, agreements, letters of intent and memoranda of understanding must be reviewed per the Contract Administration Policy. Undocumented or unauthorized agreements are not permitted.

During the selection process, you should make sure – to the best of your ability – that the outside parties are reputable and qualified. You are encouraged to make this Code of Ethics available to them. When managing contracts, it is important that you properly document all business activities to ensure that our records reflect actual transactions and payments.

Dealing With Competitors

American Water competes in its markets professionally and fairly and complies with all applicable antitrust and competition laws.

★ ETHICS IN ACTION ★

I have just joined American Water as a new employee. My prior employer is one of American Water's competitors. May I share some confidential marketing information that I developed while at my former employer?

No. It is not ethical or good business practice to share confidential information with your new employer. You are obligated to protect your past employer's confidential information just as American Water employees are obligated to protect our company's confidential information should they leave our employ.

American Water directors and employees are responsible for conducting company business in a professional, legal and ethical manner. This includes how we go about obtaining competitive information about industry markets and developments. We must always gather information about our industry and our competitors in a lawful and ethical manner. You may review any information that has been released to the general public by a competitor. It is not acceptable to obtain nonpublic, confidential competitor information through illegal means; by misrepresenting yourself; by requesting it from a competitor's past or current employees, consultants, suppliers or customers; or

Fair Dealing (continued)

by any other means inconsistent with the intent of the Code of Ethics. You should promptly contact a member of the Law Department if you receive or possess information that may be the confidential property of a competitor before you review, copy, distribute or otherwise use the information.

American Water's business development practices should reflect the company's commitment to integrity and fair dealing. Any comments about American Water competitors must be factual and fair.

Promoting American Water Products and Services

American Water's advertisements, printed materials and promotional efforts must be fact-based and honest, and should not be susceptible to misinterpretation or be misleading to the public.

In addition, consistency in how we portray our brand, how we tell our story and the visual style we use in our communications are all critical elements to building and protecting a successful brand. You should follow the established company policies and practices regarding any use of the American Water brand for published materials. These policies and practices can be found on the company's intranet site or by contacting the director of Marketing in the Corporate Communications and External Affairs Department.

Adhering to Antitrust Laws

American Water is committed to fair dealing and open competition, and to complying with antitrust laws. These laws are complex, and serious civil and criminal penalties can be imposed for violations.

As a general rule, antitrust laws prohibit business conduct that weakens or destroys competition or that unreasonably restrains trade or commerce. This includes boycotting specific suppliers, illegally fixing prices and sharing markets.

When dealing with competitors, never agree with them on what jobs to bid, which suppliers to buy from or sell to, what markets to serve or how much they and American Water charge for products and services. Particular care should be exercised by employees who participate in industry or trade organization activities. At these events, never engage in discussions with competitors that would violate, or appear to violate, antitrust laws. If in doubt, ask a member of the company's Law Department for guidance.

When dealing with customers or third parties, be careful not to incorporate a condition of sale that would force them to buy another product or service from American Water.

HANDLING SENSITIVE INFORMATION

Safeguarding Sensitive Information

Among American Water's most valuable assets is information that is vital to business success. Examples include business plans; strategies; unpublished financial or pricing information; research and development opportunities; new product plans; personnel records; and customer and supplier lists.

While we encourage open and honest communication by management, there are times when it is necessary to protect information because it:

- is commercially sensitive;
- could jeopardize the security of American Water facilities or supplies;
- is nonpublic information that might be useful to competitors;
- is confidential personal information;
- would be harmful to the company or its customers or suppliers if disclosed; or
- could cause distress or confusion if published out of context or in an unmanaged way.

HANDLING SENSITIVE INFORMATION (continued)

You are responsible for safeguarding business information that is confidential or proprietary in nature. In addition, acceptance of sensitive information from others must also be handled appropriately and in the same manner as you would handle confidential American Water information.

Sensitive information should never be disclosed to nonauthorized individuals, inside or outside American Water, without permission. To this end, you should use extreme caution when discussing company business in public places. It is also important to properly store and dispose of confidential documents, for example, by keeping them in a locked filing cabinet.

★ ETHICS IN ACTION ★

At lunch, co-workers were discussing sensitive company business. Should I have said something?

Yes. Politely let them know that you can hear their conversation. It is critical that we all use extreme caution when discussing business in public places.

Keep in mind that you are legally obligated to apply these rules and maintain confidentiality of information even if you retire or leave the company. Please consult a member of the company's Law Department if you are unsure whether data is considered confidential before releasing any information, or if you become aware of confidential information that has been inadvertently or purposefully released.

Cooperating With Legal Proceedings and Investigations

American Water's policy is to cooperate fully and promptly in the course of a lawsuit, legal proceeding, government investigation or regulatory audit. If you receive a work-related subpoena, are threatened with a lawsuit or are made aware of a government investigation, you should immediately contact your supervisor and/or a member of the company's Law

Department before any action is taken.

In any event, you should never, under any circumstances:

- destroy, alter or hide company documents, records, e-mails or electronically stored data in anticipation of a request for information from a government agency, court of law or adverse party in relation to an investigation or litigation;
- lie, withhold information or make misleading or false statements to government investigators;
- pressure others into lying, hiding information or making false or misleading statements to government or internal investigators; or
- retaliate against any employee for cooperating in an investigation.

If you are involved in a lawsuit or legal proceeding related to the company, avoid discussing it with anyone inside or outside the company without prior approval of the company's Law Department.

Inside Information

It is the policy and practice of American Water to comply strictly with laws governing the use of material, nonpublic information. Because the unlawful use of material, nonpublic information could have severe negative consequences for the individuals and the company involved, you must never directly or indirectly use such information for your own personal gain, or provide such information for the use of others.

As used here, "material, nonpublic information," sometimes referred to as "inside information," is any information (whether fact, development or intended action) that has not been disclosed to the public and that could reasonably be expected to affect the market price of securities or an investor's decision to buy, sell or hold securities. Material, nonpublic information includes information originating within American Water including, for example, information with respect to earnings, acquisition or divestiture plans; significant increases or decreases in dividend payments; changes in key management; legal reorganizations; plans to issue new securities; and other major business developments that are not publicly known.

HANDLING SENSITIVE INFORMATION (continued)

This rule applies to the securities of any company in the American Water group of companies whose securities are publicly traded. While American Water complies with all disclosure requirements that apply to it, there will be times when important information is known to some inside the company but is not required to be publicly released at the moment. In such cases, the information must be held in strict confidence until it is disclosed in accordance with American Water policy and statutory and regulatory requirements. Examples may include information relating to acquisitions, mergers, construction programs, regulatory proceedings and other important corporate developments. In that case, you may not purchase or sell securities of any company in the American Water group until such important information has been publicly released.

As a general rule, you may not buy or sell securities, or provide tips to others to buy or sell securities, while you have inside information about the company. This prohibition also includes securities of another company, such as a supplier or a contractor, about which you may have acquired inside information as a result of your employment with American Water.

This is a sensitive and complex area of the law. We all must be familiar with the company's Insider Trading Policy, which applies to all company employees and directors, and which more fully explains all of our obligations with respect to insider trading. Any questions about the rules governing inside information should immediately be brought to the attention of the company's inside SEC counsel or to the senior vice president and general counsel of American Water.

SAFEGUARDING FINANCIAL RECORDS AND CONTROLS

The integrity of American Water's financial records is critical to the operation of our business and is a key factor in maintaining the confidence and trust of our employees, vendors and stakeholders.

We must ensure that all transactions are recorded properly and that all records and data owned, used and managed by the company are accurate and complete. In addition, our financial statements must be prepared in accordance with generally accepted accounting principles and applicable laws, and fairly present the financial condition of the company.

In any event, you must never, under any circumstances:

- falsify internal or external documents, or in any other way cause our books and records to be inaccurate or misleading;
- misrepresent our financial performance or knowingly compromise the integrity of American Water's financial statements;
- hide or fail to record any funds, assets or transactions;

- knowingly accept and treat as accurate any false or misleading document prepared by an outside person; or
- take any action that is in violation of American Water's Disclosure Controls and Procedures Policy.

Information needed to verify the accuracy of the company's books and records by American Water's internal auditors or independent accountants should be provided. Influencing, coercing, manipulating, misleading or withholding information from these auditors is against company policy and this Code of Ethics.

All directors and employees have the responsibility to raise any concerns about the accuracy of our business records immediately.

If you become aware of or suspect any financial misrepresentation or impropriety, please report it promptly to the chief ethics and compliance officer or a member of the company's Law Department, or call the Confidential Ethics Hotline at 877-207-4888.

GOVERNMENT RELATIONS

All American Water dealings with government officials should be marked by honesty and professionalism.

If you are representing or lobbying on behalf of American Water on government matters, you should be thoroughly familiar with all applicable laws, regulations and rules for dealing with governmental agencies and officials. At a minimum, you must not:

- improperly influence or attempt to influence public officials by offering gifts, gratuities or other promises of reward or benefit;
- offer or accept bribes, kickbacks or payments in any form, to directly or indirectly obtain preferential treatment;
- intentionally submit incorrect, misleading or fraudulent information to public officials or government agencies; or
- take any other action that places any government personnel in a position of compromise.

★ ETHICS IN ACTION ★

I want to invite one of our government customers to my house for a barbecue, but her regulations say that I can't purchase a meal for her. Does that regulation apply only to meals in restaurants?

A rule that prohibits us from buying a meal for a government employee in a restaurant also prohibits us from inviting him or her for a meal in our homes.

American Water holds certain contracts with the federal government that require it to disclose to the government in a timely manner credible evidence of a violation of federal criminal law involving fraud, conflict of interest, bribery, gratuity violations, violations of the civil False Claim Act or a significant overpayment. The obligation to make these mandatory disclosures continues for a period up to three years after the final payment is made on the federal contract or subcontract. If you believe you have evidence of such violations, you

should immediately report it to the Law Department and to the Confidential Ethics Hotline at 877-207-4888.

You should conduct American Water business in accordance with these standards and should avoid even the appearance of any impropriety when dealing with government officials.

With regard to political contributions, federal law and many state, local and foreign laws prohibit or otherwise regulate the use of corporate funds to contribute to those seeking or holding political office. Political contributions may therefore be made on behalf of any company in the American Water group of companies only if specifically authorized under the Delegation of Authority and any other applicable policy and/or practice. American Water employees may, in their individual capacities, make political contributions, however. The nature of political contributions is such that both the law and our policies and practices are subject to change from time to time. It is important, therefore, that all directors and employees be familiar with American Water's current policies and practices in this regard. If you have questions regarding political contributions, contact a member of the Law Department.

Outside of work, you are encouraged to vote and participate in the political process. You may be actively involved in activities such as contributing to candidates, volunteering for a political campaign or contacting officials on an issue of personal importance. In these cases, it is important to make clear that you are expressing your own views and not the views of American Water.

★ ETHICS IN ACTION ★

May I work on a campaign for a candidate during working hours?

No. Using company time to work on a campaign for a candidate or political party is not allowed, because that could be considered the equivalent of American Water making a contribution to that candidate or political party.

GOVERNMENT RELATIONS (continued)

You may not use the influence of your position with American Water to persuade another employee to work for or make a personal contribution to a party, candidate or political action committee.

You must never seek reimbursement from the company for expenses related to personal political

contributions or costs related to political functions or fundraisers. Use of company time for work on a political campaign may be considered the equivalent of a contribution by American Water; therefore, employees cannot be paid by American Water for time spent working on political campaigns.

Bribes, kickbacks and similar unlawful payments to obtain business or preferential treatment, whether or not disguised as payments to third parties, are strictly forbidden. All agreements with lobbyists, political consultants and similar parties must be reviewed by, and contain terms specified by, the Law Department.

If you plan to seek public office, it is important that you notify your immediate supervisor to discuss how the role could impact your job.

Laws and regulations regarding federal and state political activities are complex. If you have any questions, please seek guidance from a member of the company's Law Department.

★ ETHICS IN ACTION ★

Do all government agencies have the same regulations concerning the acceptance of meals and entertainment?

No. Regulations differ among federal, state, local and foreign government agencies. Before offering any gifts, meals or entertainment, make sure you know the applicable regulations so as to ensure that you stay in compliance, including any applicable dollar limitations. Contact the Law Department or Government Affairs Department for guidance in this area.

CONDUCT IN THE WORKPLACE

Equal Opportunity, Affirmative Action and Prohibition Against Harassment

American Water is committed to complying with all federal, state and local equal employment opportunity laws and ensuring that all applicants and employees receive equal employment opportunity that is free from all forms of unlawful employment discrimination. American Water employees must comply with all company policies in this regard.

To this end, the company will not, and no employee is permitted to, take any of the following actions based on gender, marital status, race, color, national origin, religion, age, disability, veteran status, sexual orientation or any other characteristic protected by law:

- hire or promote a person or fail to hire or promote a person;

- treat a person differently with regard to any other employment matters, including transfer, recruitment, selection for training, discipline, layoff, or rates of pay and other compensation;
- harass any person or permit any harassment, including verbal, nonverbal or physical attacks;
- segregate or sponsor any function that segregates, except where respect for privacy based on gender is concerned; or
- retaliate against anyone who makes a complaint about discrimination or harassment.

American Water is committed to ensuring an environment that respects the dignity and worth of each applicant and employee, and is free from all forms of unlawful employment discrimination and

CONDUCT IN THE WORKPLACE (continued)

harassment. We will not tolerate any such discrimination or harassment. Our policies in this regard apply to all harassment, whether in the office, at work assignments outside the office, at office-sponsored social functions or elsewhere.

Employees at each level of the company are responsible for helping to ensure that harassment and discrimination do not occur by conducting themselves in accordance with American Water policy and by promptly reporting any observed harassment or discrimination. If you believe that you have witnessed harassment and/or discrimination, it is your responsibility to report it. You may report any harassment or discrimination to your supervisor, your department head, your president, your Human Resources representative, a member of the Law Department, the chief ethics and compliance officer or the Confidential Ethics Hotline at 877-207-4888. Any supervisor, department head, president or member of the Law Department who receives a complaint of harassment or discrimination must, in turn, report it to a Human Resources representative and to the Confidential Ethics Hotline at 877-207-4888. American Water has a “no retaliation” policy and will not tolerate retaliation against any employee who, in good faith, brings forward a harassment and/or discrimination issue.

Adherence to these policies is a condition of employment at the company, and employees who violate them will be subject to appropriate disciplinary action, up to and including discharge.

Environment: Health and Safety

American Water considers the health and safety of all employees as matters of highest priority. We are committed to conducting our business in a safe and environmentally sound manner and to adhering strictly to all environmental and safety laws that apply to our operations. Violation of environmental and safety laws can result in injuries, subject a company to significant fines, and subject employees to fines and imprisonment.

All employees have a duty to perform their jobs consistent with any environmental and safety training they have received. Each manager and supervisor

must ensure that operations comply with Occupational Safety and Health Administration laws and regulations, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act, the Toxic Substance Control Act and similar laws and regulations. Written reports required to be filed with governmental agencies within specified time periods and/or upon the occurrence of certain events must be accurate and filed in a timely manner.

★ ETHICS IN ACTION ★

If I'm in a minor accident at work, should I report it?

Yes, you should report it. Although the incident may seem minor, a report can help bring to light potential safety hazards and possibly prevent more serious accidents from occurring.

In keeping with American Water's commitment to provide a safe workplace for employees, violent behavior and threats of violence will not be tolerated. They will be treated as willful misconduct of the most serious magnitude, and any employee who engages in such conduct may be subject to immediate dismissal. The police or other law enforcement agencies may be notified if there is a suspicion that an employee is engaging in, or threatening to engage in, violent activities on company premises or while conducting company business. For the protection of all, if you witness an employee engaging in violent behavior or making threats of violence, or if you suspect that an employee has possession of firearms, weapons or explosives on company property or while on company business, you should immediately contact a supervisor, manager or Human Resources representative, or call the Confidential Ethics Hotline at 877-207-4888.

Illegal Substances and Alcohol

The ability to perform one's work is compromised by the use of illegal drugs and/or alcohol. To succeed

CONDUCT IN THE WORKPLACE (continued)

in maintaining a high level of productivity and a safe work environment, all employees are expected to report for work in a condition to properly fulfill their assigned responsibilities.

Employees may not, under any circumstances, use, sell, buy, distribute or possess illegal drugs, or consume alcohol during working hours (except as stated below) or on company property, including company vehicles and job sites. In no event shall any employee work while under the influence of illegal drugs or alcohol. The company may also inform the police or drug enforcement agencies if there is suspicion that illegal drugs are being sold, bought, possessed, used or distributed on company premises or while conducting company business.

While we recognize that an employee may consume alcohol in the course of company social or marketing activities or at other off-site functions that may be work-related, employees are expected to exercise moderation and good judgment. Under no circumstances should an employee drive to or from any company event or other work-related activity while under the influence of alcohol and in violation of the law.

★ ETHICS IN ACTION ★

A co-worker comes back from lunch slurring words or having trouble staying awake. She seems to be under the influence of drugs or alcohol. What should I do?

For the safety of everyone, the company doesn't allow any employee to remain on the job while under the influence of drugs or alcohol. If you suspect this is the case, you should immediately speak to your supervisor or Human Resources representative, or call the Confidential Ethics Hotline at 877-207-4888. Your call is confidential, and you may choose to remain anonymous.

Using American Water's Resources

It is essential that all American Water employees make efficient use of the company's assets and avoid

waste and carelessness. The tools that we use to do our jobs, including office equipment, supplies and inventory, are entrusted to us by American Water. We should use them only for company business, unless we get approval otherwise from a supervisor. Misappropriation of these materials can constitute theft.

Electronic communications systems, including computers, telephones, cell phones, pagers, e-mail, voicemail and Internet access, are also the property of American Water, and any communications transmitted over company systems may be accessed, inspected and monitored at any time and without notice.

Occasional use of these communications tools for personal reasons is acceptable as long as it is kept to a minimum, is appropriate and does not interfere with job performance. Inappropriate use of these resources includes:

- pirating software;
- soliciting for commercial ventures or other non-job-related organizations (other than occasional company-approved charitable endeavors);
- sending inappropriate e-mail or accessing inappropriate Web sites, such as those advocating violence or containing sexually explicit material; or
- using the company's communications tools in a way that is disruptive, offensive or harmful to others.

More information on proper use of communications can be found in American Water's Information Security Policy on the intranet.

Respecting Each Other's Privacy

American Water respects the privacy of every employee and collects and retains private, personal information only as required by law or for legitimate business purposes. The company protects and limits access to employee personal information such as employee personnel and medical records. Such records will be shared, as required by law or for legitimate business purposes, only with those who have a need to know. As an employee, you must ensure that our employees' personal information, including personnel and medical records, remains properly safeguarded.

ADMINISTRATION

Seeking Advice

It is to be expected that employees will have questions about the interpretation of this Code of Ethics. To make ethical conduct an essential part of the daily fabric of our business life, it is important that each of us seeks guidance when questions arise or doubt occurs. In case of any uncertainty, you should seek advice from:

- your supervisor,
- your department head,
- your president,
- the chief ethics and compliance officer,
- your Human Resources representative,
- any lawyer in the company's Law Department, or
- you may call the Confidential Ethics Hotline at 877-207-4888.

Reporting Violations

Every director and employee who knows, or has a reasonable belief, that a violation of this Code of Ethics has occurred or may occur must report it as promptly as possible to the Confidential Ethics Hotline at 877-207-4888. American Water will maintain confidentiality to the extent possible during a compliance investigation, and will not tolerate retribution or retaliation of any kind against a person for reporting noncompliance by another American Water employee. The person reporting the violation or potential violation may also report the matter to his or her president, the chief ethics and compliance officer, a Human Resources representative or a member of the company's Law Department, but in any case, the Confidential Ethics Hotline must be called as well.

If you would like to report a violation anonymously, you may do so using the Confidential Ethics Hotline, which is manned by trained professionals from an outside vendor and is not equipped with caller ID. Your calls cannot be traced.

When calling the Confidential Ethics Hotline, it is essential that you give as much detail as possible, so the issue can be properly investigated. At the least,

you should advise the Hotline of the location of the suspected violation, the behavior that is being questioned and the persons you believe may be involved.

If you do not wish to leave your name or contact information, you will be provided with an identifying number, which you may use anonymously to check the status of the report and to answer questions during an investigation while maintaining your anonymity.

All calls to the Confidential Ethics Hotline will be reviewed by members of the company's **Ethics Committee**. The Ethics Committee consists of the president of regulated operations, the chief financial officer, the president of American Water Enterprises, the senior vice president of Human Resources, the vice president of Internal Audit and the senior vice president and general counsel. The Ethics Committee reports to the Audit Committee of the board of directors of American Water.

All American Water employees have an obligation to fully cooperate in any Code of Ethics investigation, which includes, among other things, providing honest responses to questions and maintaining the confidentiality of the investigation.

Guarding Against Retaliation and False Allegations

American Water has a "no retaliation" policy. We will not tolerate retaliation against any employee who, in good faith, brings forward a Code of Ethics issue or who otherwise participates in the investigation of an alleged violation of this Code of Ethics. We take claims of retaliation seriously. Such allegations will be investigated, and those who are found to have retaliated against a person who reported an ethical or legal concern in good faith will be subject to disciplinary measures, which may include termination.

Conversely, American Water will not tolerate anyone who intentionally falsely accuses a person of violating this Code of Ethics.

ADMINISTRATION (continued)

Ensuring Compliance

Compliance with this Code of Ethics is a condition of employment at American Water. Failure to abide by it or to report a known violation may lead to disciplinary action, up to and including termination of employment. Ensuring compliance with this Code of Ethics is everyone's responsibility. All company officers and managers are responsible for ensuring that employees under their supervision are adequately informed about their obligations under the Code of Ethics.

- Presidents and officers must maintain a favorable environment for adhering to this Code of Ethics and develop a system of controls for its enforcement within their spheres of responsibility. This includes ensuring that this Code of Ethics is distributed to all employees and maintaining an open door policy to encourage questions and discussion regarding these standards.
- Presidents should provide the company's Ethics Committee any recommendations they may have for changes to this document.
- All management-level employees are expected to lead by example and provide their team members with opportunities to learn and discuss the practical application of these standards. Managers are also responsible for reviewing this Code of Ethics with their teams.
- Each year, all directors and designated employees will be asked to certify that they have read and complied with this Code of Ethics and that they do not have personal knowledge of violations by others. If they do have knowledge of a violation, they will be asked to report it to the American Water Confidential Ethics Hotline.
- Each year, the Ethics Committee will receive a report regarding all certifications to the Code of Ethics. The Ethics Committee will report its findings to the Audit Committee of the board of directors of American Water and propose any recommended changes to the Code of Ethics for adoption.
- Disciplinary action may be taken against any employee who violates or participates in any violation of the Code of Ethics. Discipline resulting from such violations will be consistent with applicable collective bargaining agreements.
- The Ethics Committee has the responsibility and authority to define and interpret the principles contained in the Code of Ethics and to review significant ethics questions or issues that arise. Management has day-to-day responsibility to ensure compliance with the Code of Ethics, but the Ethics Committee is responsible for ensuring consistent application and overall compliance.

Oversight and Waivers

Ultimate oversight is the responsibility of the board of directors of American Water.

Waivers of this Code of Ethics may be granted only for exceptional circumstances by American Water's board of directors or a designated committee of the board. Such waivers for directors and executive officers must be publicly disclosed.



AMERICAN WATER

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