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PENNSYLVANIA AMERICAN WATER TO REHABILITATE CLAYSVILLE-DONEGAL WASTEWATER SYSTEM

MCMURRAY, Pa. (Oct. 8, 2008) – Pennsylvania American Water announced today that it will begin a sewer system investigation study on October 13, 2008, to support its newly acquired Claysville-Donegal Wastewater Treatment and Collection System. The goal of the \$180,000 study is to eliminate sanitary sewer overflows (SSOs) that occur when sewer systems reach maximum treatment capacity and untreated wastewater is released into the environment.

“The study complies with a Consent Order and Agreement that Pennsylvania American Water entered into with the Pennsylvania Department of Environmental Protection as a requirement of our acquisition of the system,” said Pennsylvania American Water President Kathy Pape. “This study will ensure that customers are receiving the highest quality wastewater service at the best possible value, while protecting their quality of life by eliminating SSOs.”

The system’s SSOs are a condition that predate Pennsylvania American Water’s acquisition. SSOs are often a result of a lack of capacity at the sewage treatment plant or from broken pipes, which allow rainwater and groundwater to seep into the system and overwhelm it.

The initial phase includes examining approximately 375 manholes and 12 miles of sanitary sewers, which will be inspected for cracks, collapses and blockages. The multistep process includes flow monitoring and smoke and dye testing of structures that might be connected to the collection system. The company expects to complete the initial phase of the study by late December.

Pennsylvania American Water will enter into a second phase of the project during the spring of 2009, which will include video monitoring of lines, additional smoke and dye testing, data analysis and the presentation of investment recommendations. The company will develop a rehabilitation plan after the study is completed.

The company will contact affected residents in advance regarding any temporary service interruptions. Customers can contact Pennsylvania American Water’s customer service center at 1-800-565-7292, or visit www.pennsylvaniaamwater.com under the “About Us” menu, select “Investing in Our Communities.”

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Pennsylvania American Water to Rehabilitate Claysville-Donegal Wastewater System

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 more than 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 15 million people in 32 states and Ontario, 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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