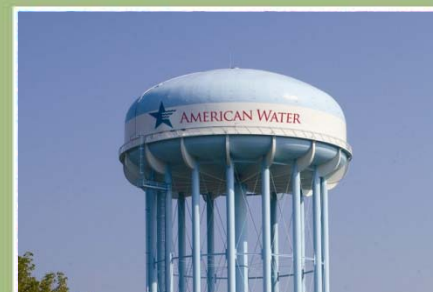




AMERICAN WATER

2011 First Quarter Earnings Conference Call

May 5, 2011



Edward D. Vallejo

Vice President Investor Relations

May 2011

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events and may relate to, among other things, our future financial performance, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our ability to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory or legal developments or rate adjustments. Actual results could differ materially because of factors such as the completion of the independent audit of our financial statements; decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies; weather conditions, patterns or events, including drought or abnormally high rainfall; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; significant changes to our business processes and corresponding technology; our ability to appropriately maintain current infrastructure; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; our ability to obtain 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 or dispose of assets or lines of business that are not complementary to our operations and the growth of our business; cost overruns relating to improvements or the expansion of our operations; changes in general economic, business and financial market conditions; 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; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; our ability to utilize our U.S. and state net operating loss carryforwards; migration of customers into or out of our service territories; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; the incurrence of impairment charges ability to retain and attract qualified employees; and civil disturbance, or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

Any forward-looking statements we make, speak only as of the date of this presentation. Except as required by law, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

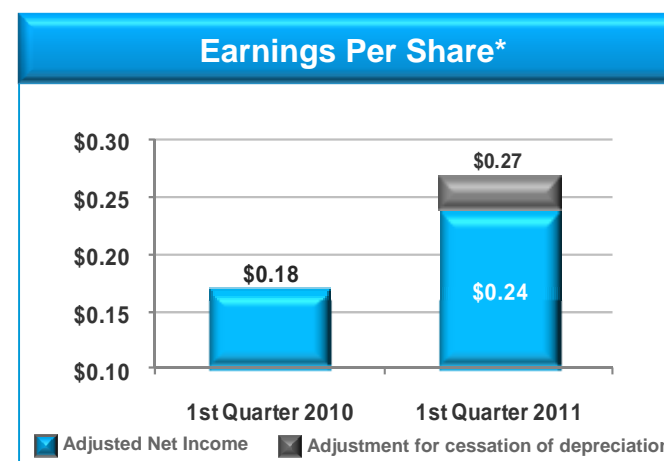
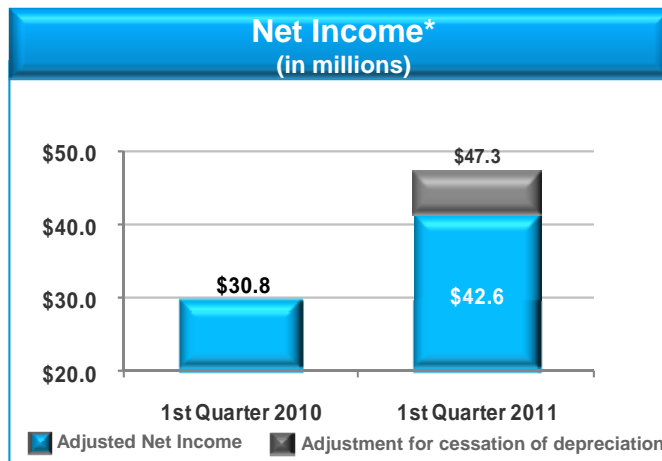
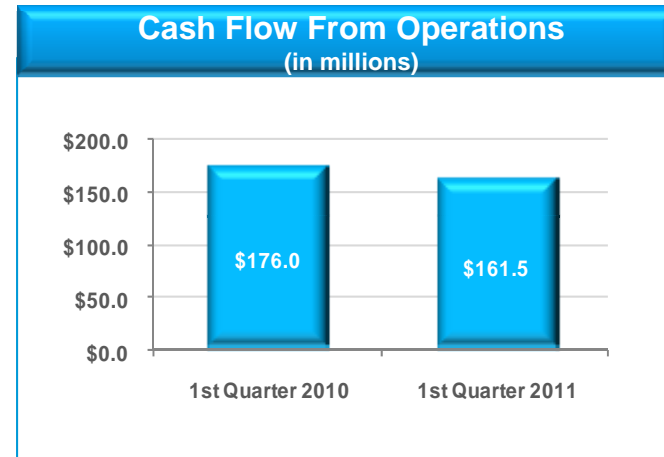
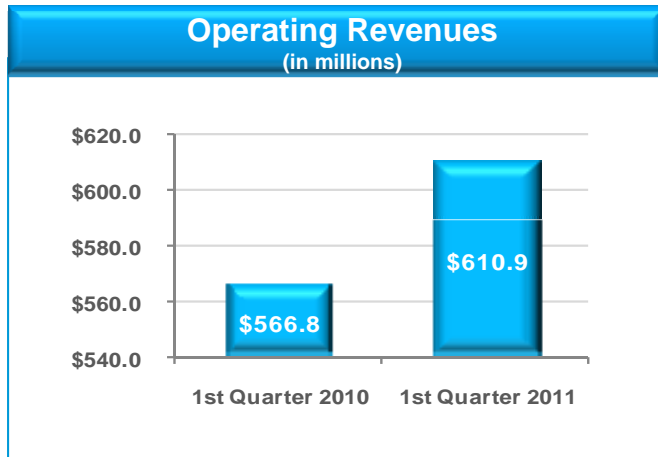
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Jeff Sterba

President and Chief Executive Officer

May 2011

American Water: A Solid First Quarter



*Adjusted Net Income includes the cessation of depreciation worth \$4.7 million after tax, or \$0.3 per share on assets under agreement for sale - Non-GAAP measure. (see table in Appendix)

American Water Investment Recovery Strategies

Year-to-date 2011		
Rate Cases Resolved	<ul style="list-style-type: none"> • Tennessee • West Virginia 	<ul style="list-style-type: none"> • \$10.7 million in annualized revenues • ROE Granted: 9.75% - 10%
Rate Cases Filed	<ul style="list-style-type: none"> • Iowa • Long Island • Pennsylvania • Indiana • Hawaii 	<ul style="list-style-type: none"> • \$107.6 million in annualized revenues • ROE requested: 11.35% - 11.85%
Key Issues Addressed in Rate Cases Filed	<ul style="list-style-type: none"> • Declining usage • Cost Balance Accounting • Cost Adjustment Clauses <ul style="list-style-type: none"> • Chemicals • OPEB • Pension • Single Tariff Pricing 	

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Ellen C. Wolf
Senior Vice President
and Chief Financial Officer

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2011 First Quarter Financial Results

<i>(In thousands, except per share data)</i>	For the Three Months Ended March 31,	
	2011	2010
Revenue	\$610,936	\$566,762
Gross Margin	\$144,873	\$124,649
Gross Margin %	23.7%	22.0%
Regulated O&M efficiency ratio ⁽¹⁾	48.2%	49.4%
Net Income	\$47,332	\$30,808
Adjusted Net Income ⁽²⁾	\$42,603	\$30,808
Common dividends paid	\$38,525	\$36,679
Average common shares outstanding during the period	176,048	174,796
Net Income per common share	\$0.27	\$0.18
Adjusted Net Income per common share ⁽²⁾	\$0.24	\$0.18
Cash flows from operating activities	\$161,526	\$175,990

(1) Excludes purchased water. Non-GAAP measure - for calculation see table in Appendix

(2) Adjusted for cessation of depreciation worth \$4.7 million after tax, or \$0.03 per share on assets under agreement for sale – Non-GAAP measure (see reconciliation table in Appendix).

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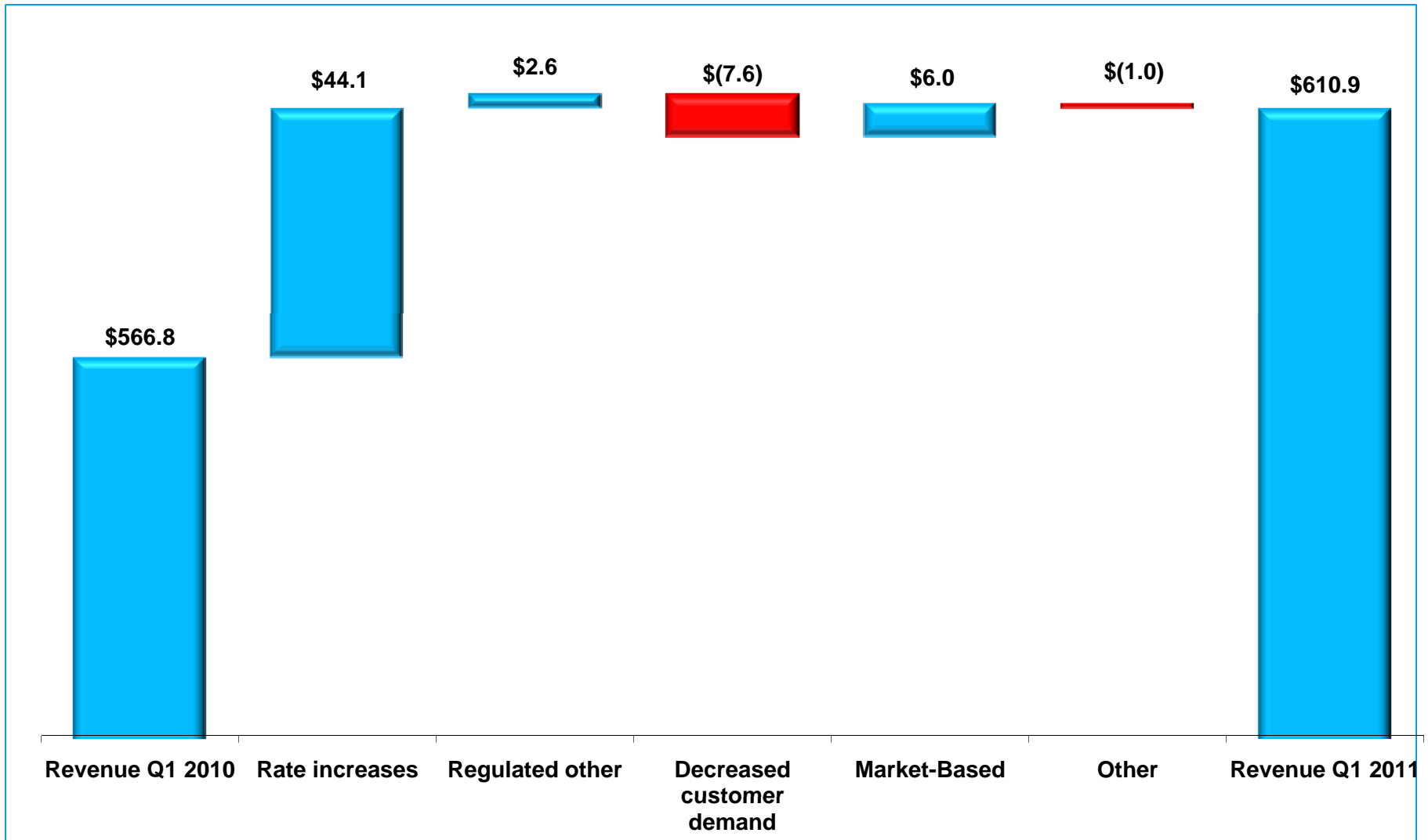
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Revenue Breakdown – First Quarter 2011

(\$ in millions)



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Rate Cases Awarded That Will Have an Impact on 2011 Results

(As of May 4, 2011)

(\$ in millions)	<u>Effective Date for new rates</u>	<u>ROE Granted</u>	<u>Annualized Increase to Revenue</u>
<i>General Rate Cases:</i>			
Illinois	4/23/2010	10.38%	\$41.4
New Mexico (Edgewood)	5/10/2010	10.00%	0.5
Indiana	5/3/2010	10.00%	31.5
Virginia (Eastern)	5/8/2010	10.50%	0.6
Ohio	5/19/2010	9.34%	2.6
Missouri	7/1/2010	10.00%	28.0
California (Sac, LA, Lark)	7/1/2010	10.20%	14.6
Michigan	7/1/2010	10.50%	0.2
Kentucky	10/1/2010	9.70%	18.8
New Jersey	1/1/2011	10.30%	39.9
Pennsylvania Wastewater	1/1/2011	10.60%	8.4
Arizona (Anthem, etc.)	1/1/2011	9.50%	14.7
Tennessee	4/5/2011	10.00%	5.6
West Virginia	4/19/2011	9.75%	5.1
<i>Subtotal - General Rate Cases</i>			<u>\$211.9</u>
<i>Infrastructure Charges:</i>			
Pennsylvania			16.2
Indiana			5.4
Illinois			1.7
Missouri			3.6
Other			0.5
<i>Subtotal - Infrastructure Charges</i>			<u>\$27.4</u>
<i>Total</i>			<u><u>\$239.3</u></u>

May 2011

Rate Cases Awaiting Final Order

General Rate Cases Awaiting Final Order as of May 4, 2011

	Docket / Case Number	Date Filed	Revenue Increase Filed	ROE Requested	Rate Base (Filed)	Filing Status
Virginia*	Case No. PUE 2010-00001	03/08/10	\$ 6.9	11.50%	\$ 99.1	5
California	Case No. A 10-07-007	07/01/10	37.3	10.20%	409.6	3
Arizona	W-01303A-10-0448	11/03/10	20.8	11.50%	148.9	2
Hawaii	Case No. 2010-0313	02/22/11	1.8	11.85%	25.2	1
Pennsylvania		04/29/11	70.7	11.50%	2,096.2	1
Iowa		04/29/11	5.1	11.35%	88.9	1
New York		04/29/11	9.6	11.50%	126.9	1
Indiana		05/02/11	20.4	11.50%	733.4	1
Total			<u>\$ 172.6</u>		<u>\$ 3,728.2</u>	

* Final Order not yet issued. Interim rates are in effect.

Note: Above excludes rate case filed in 2007 for Hawaii for which interim rates have been in effect since October 2008

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
- 6 - Final order issued

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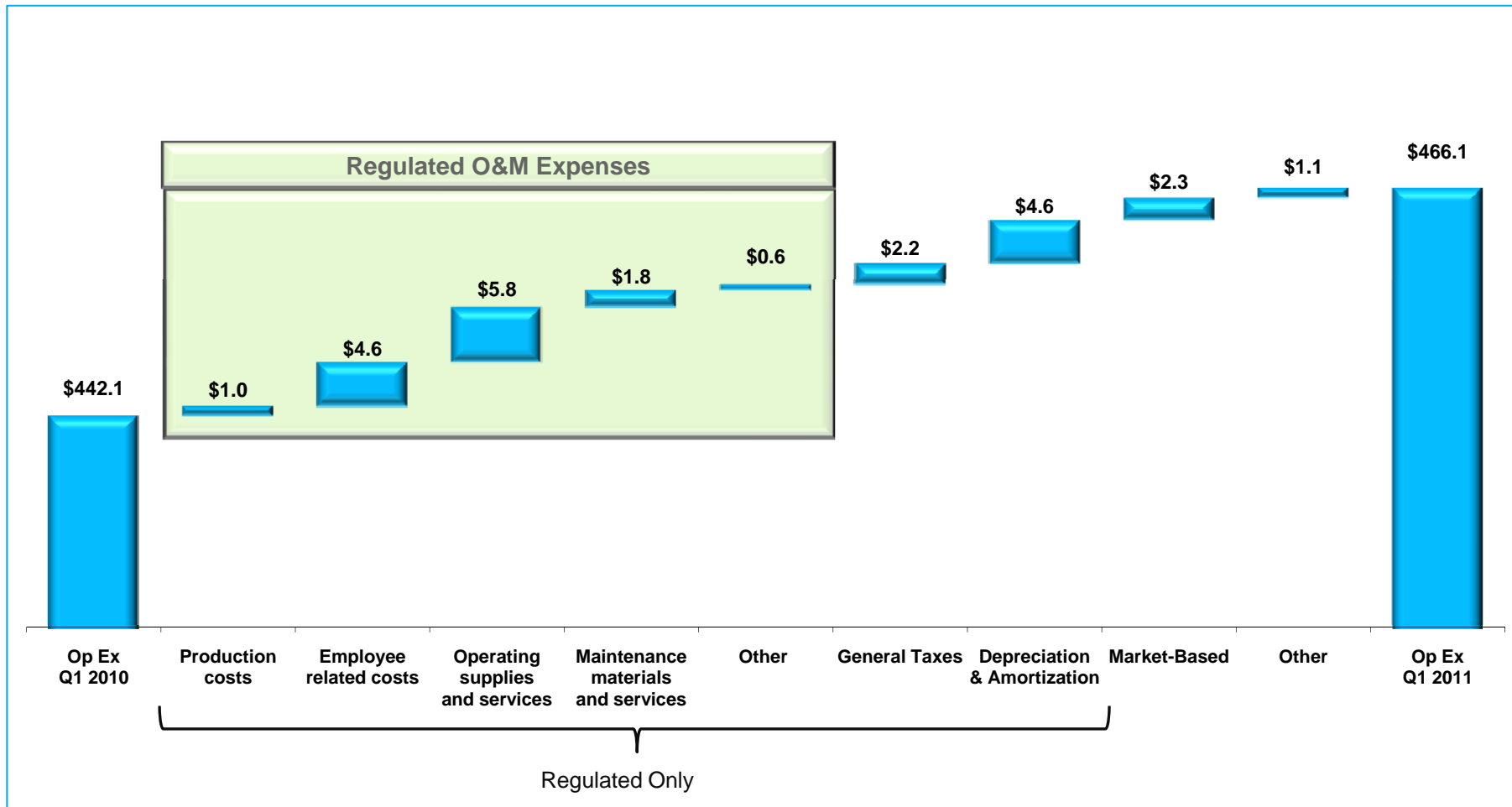
Comparison of Water Sales Volumes

Customer Class	Water Sales Volumes (In Millions of Gallons)			
	Year to Date			
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Percentage</u>
Residential	39,642	39,898	(256)	(0.6) %
Commercial	17,540	17,833	(293)	(1.6) %
Industrial	9,419	9,214	205	2.2 %
Public & Other	12,066	12,374	(308)	(2.5) %
Total	78,667	79,319	(652)	(0.8) %

Water sales volumes for the three months ended March 31, 2011 decreased over the same period in the prior year due to continuing, 10-year trend of lower usage and conservation

First Quarter 2011 Expense Breakdown

(\$ in millions)



Note: Expenses depicted for production costs, employee-related costs, operating supplies and services, maintenance materials and services, Regulated other, general taxes and depreciation & amortization represent those associated with the Company's Regulated business segment.

May 2011

Outlook: Reaffirming 2011 Annual EPS Guidance



Long Term Objectives

Prudently invest
\$800 million to \$1 billion annually in
ongoing Capital program

Continued Growth in Dividends

Stronger Cashflow Metrics

Guidance Range does not recognize the impact on net income and earnings per share of the cessation of depreciation for discontinued operations, which is estimated to be around \$0.08 for 2011

Note: Changes in events, or circumstances beyond the Company's control or that it cannot anticipate could materially impact the EPS guidance and could result in actual results being significantly above or below this outlook. Investors are advised to review the risk factors in the Company's 10-K and other filed financial documents when making

May 2011

What to Expect from American Water - 2011 Accomplishments through May

- ❑ Start execution of Portfolio Optimization Initiative
 - *Missouri acquisition and Texas sale expected to close by June-July 2011*
 - *Filed for regulatory approvals for transactions in NM and AZ*
- ❑ Resolve Rate Cases worth \$93 MM of filed Annualized Revenues by December 31, 2011
 - *Finalized Tennessee and West Virginia Rate Cases*
- ❑ Initiate state specific efforts to address declining usage
 - *Addressed in rate cases filed in Iowa, Long Island, Pennsylvania and Indiana*
- ❑ Continue reduction in Operating Efficiency Ratio
 - *Operating Efficiency Ratio improved 120 bps in the first quarter 2011 vs. first quarter 2010, an improvement of 2.5%*
- ❑ Increase Earned return on equity
 - *ROE increased 39 bps or 6% over comparable last twelve months*
- ❑ Expand Market Based businesses with focus on Homeowner Services & Military Contract Operations
 - *Homeowner Services entered into the Commercial Market*
- ❑ Optimize Municipal Contract Operations Business Model

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

Investor Relations Contacts:

• Ed Vallejo
Vice President – Investor Relations
Edward.vallejo@amwater.com

• Muriel Lange
Manager – Investor Relations
Muriel.lange@amwater.com
Tel: 856-566-4005
Fax: 856-782-2782

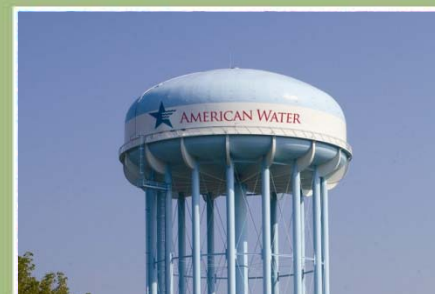


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Appendix



Reconciliation Tables

Regulated Operations and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)		
<i>In thousands</i>		
	Three Months Ended March 31,	
	2011	2010
Total Regulated Operation and Maintenance Expenses	\$ 270,157	\$ 256,312
Less: Regulated Purchased Water Expenses	21,100	20,633
Adjusted Regulated Operation and Maintenance Expenses (a)	<u>\$ 249,057</u>	<u>\$ 235,679</u>
Total Regulated Operating Revenues	\$ 537,395	\$ 498,197
Less: Regulated Purchased Water Revenues	21,100	20,633
Adjusted Regulated Operating Revenues (b)	<u>\$ 516,295</u>	<u>\$ 477,564</u>
Regulated Operations and Maintenance Efficiency Ratio (a)/(b)	48.2%	49.4%
Adjusted net income and earnings per share, exclusive of the cessation of depreciation associated with assets of discontinued operations (a Non-GAAP, unaudited number)		
<i>In thousands except per share data</i>		
	Three Months Ended March 31, 2011	
Net income	\$ 47,332	
Less: Cessation of depreciation, net of tax	4,729	
Adjusted net income, exclusive of the cessation of depreciation associated with assets of discontinued operations	<u>\$ 42,603</u>	
Basic earnings per common share:		
Adjusted net income	<u>\$ 0.24</u>	
Diluted earnings per common share:		
Adjusted net income	<u>\$ 0.24</u>	

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Reconciliation Tables

Net Income (Loss) – Earnings per Share Excluding Impairment Charge (A Non-GAAP Unaudited Number)	Historical		
	2008	2009	2010
<i>(\$ in thousands, except per share data)</i>			
Net income (Loss) from Continuing Operations	(\$562,421)	(\$233,083)	\$267,827
Add: Impairment	750,000	450,000	0
Net income excluding impairment charge before associated tax benefit	187,579	216,917	267,827
Less: Income tax benefit relating to impairment charge	11,525	6,976	0
Net income excluding impairment charge	\$176,054	\$209,941	\$267,827
Basic earnings per common share excluding impairment charge:			
Net income excluding impairment charge	\$1.10	\$1.25	\$1.53
Diluted earnings per common share excluding impairment charge:			
Net income excluding impairment charge	\$1.10	\$1.25	\$1.53

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