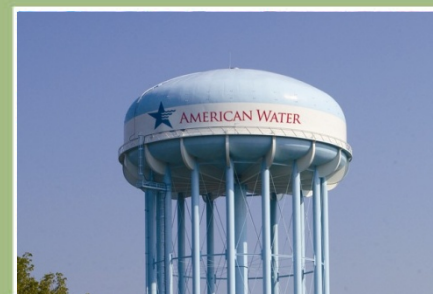




AMERICAN WATER

2010 Fourth Quarter Earnings and Year-end Conference Call

February 28, 2011



Edward D. Vallejo

Vice President Investor Relations

February 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 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

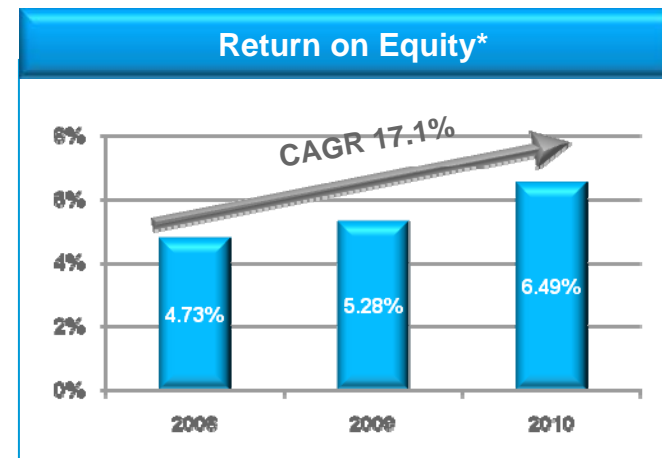
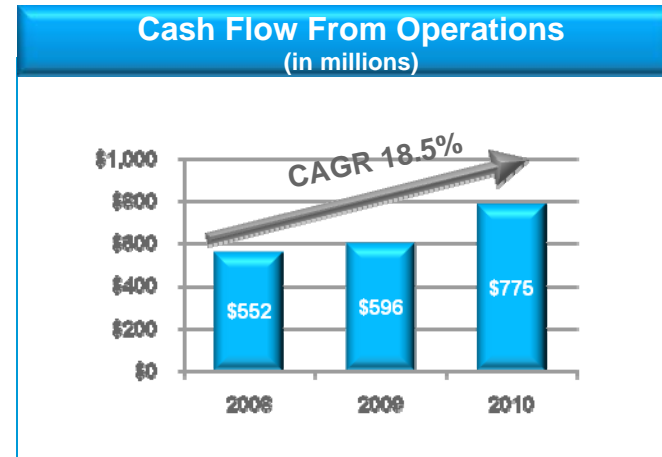
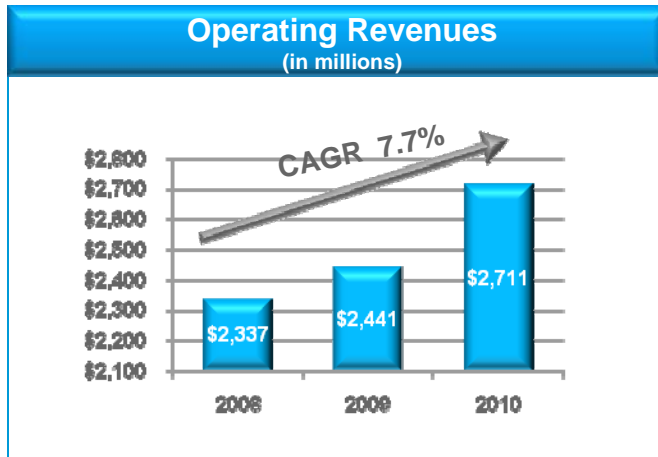
President and Chief Executive Officer

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Ellen C. Wolf
Senior Vice President
and Chief Financial Officer

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American Water: A Solid Year

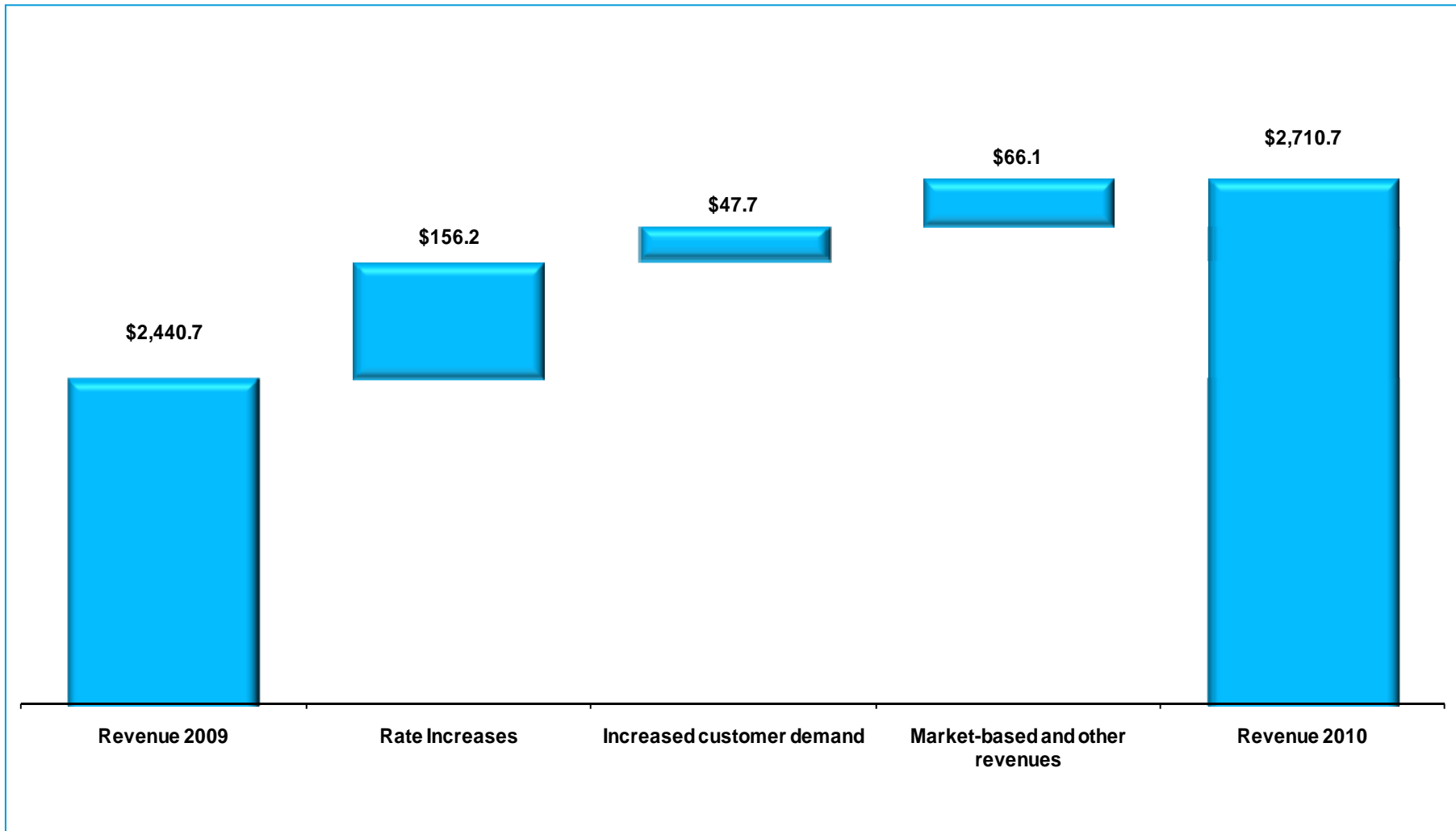


*2008 and 2009 EPS and ROE exclude impairment charges

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2010 Revenue Breakdown

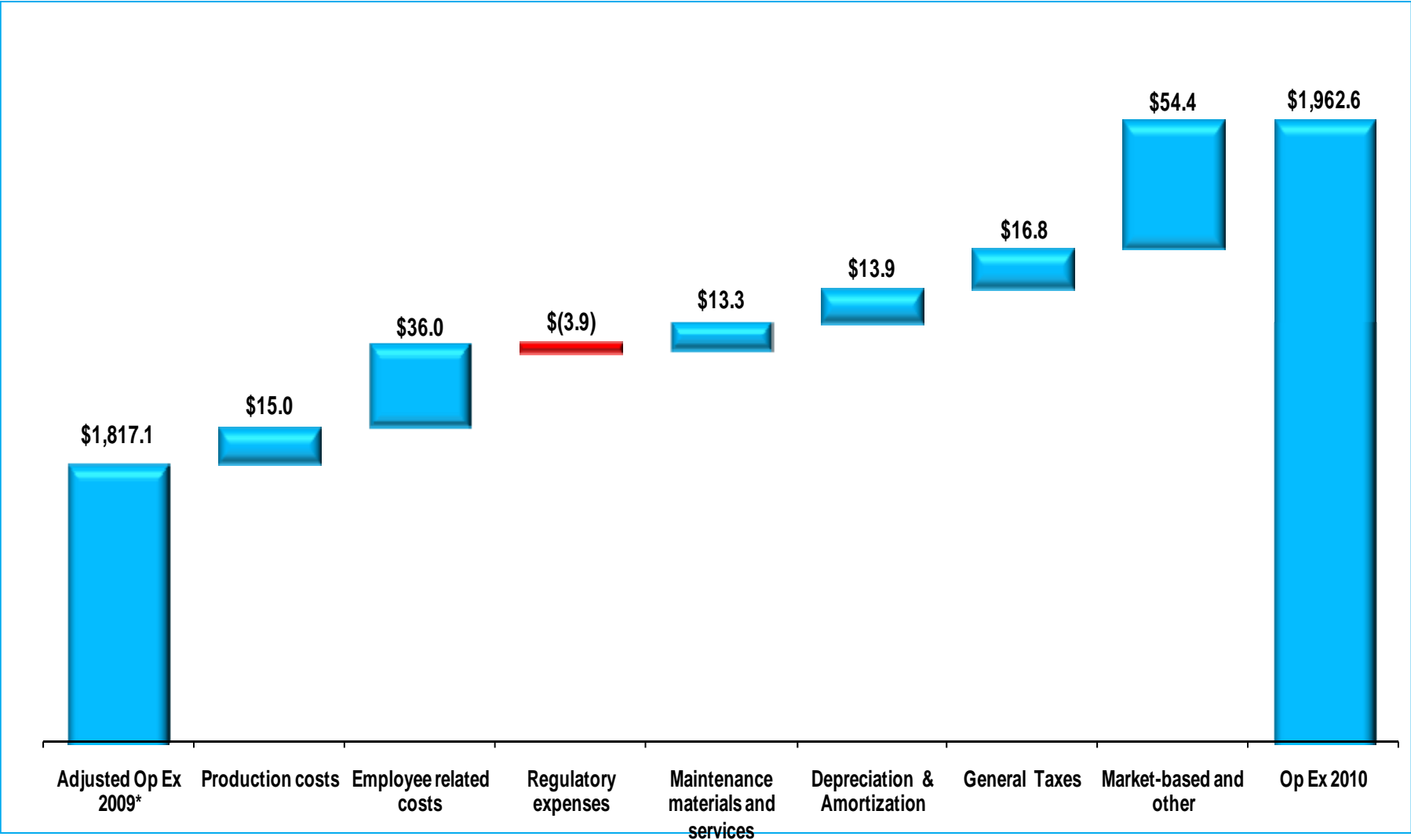
(\$ in millions)



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2010 Expense Breakdown

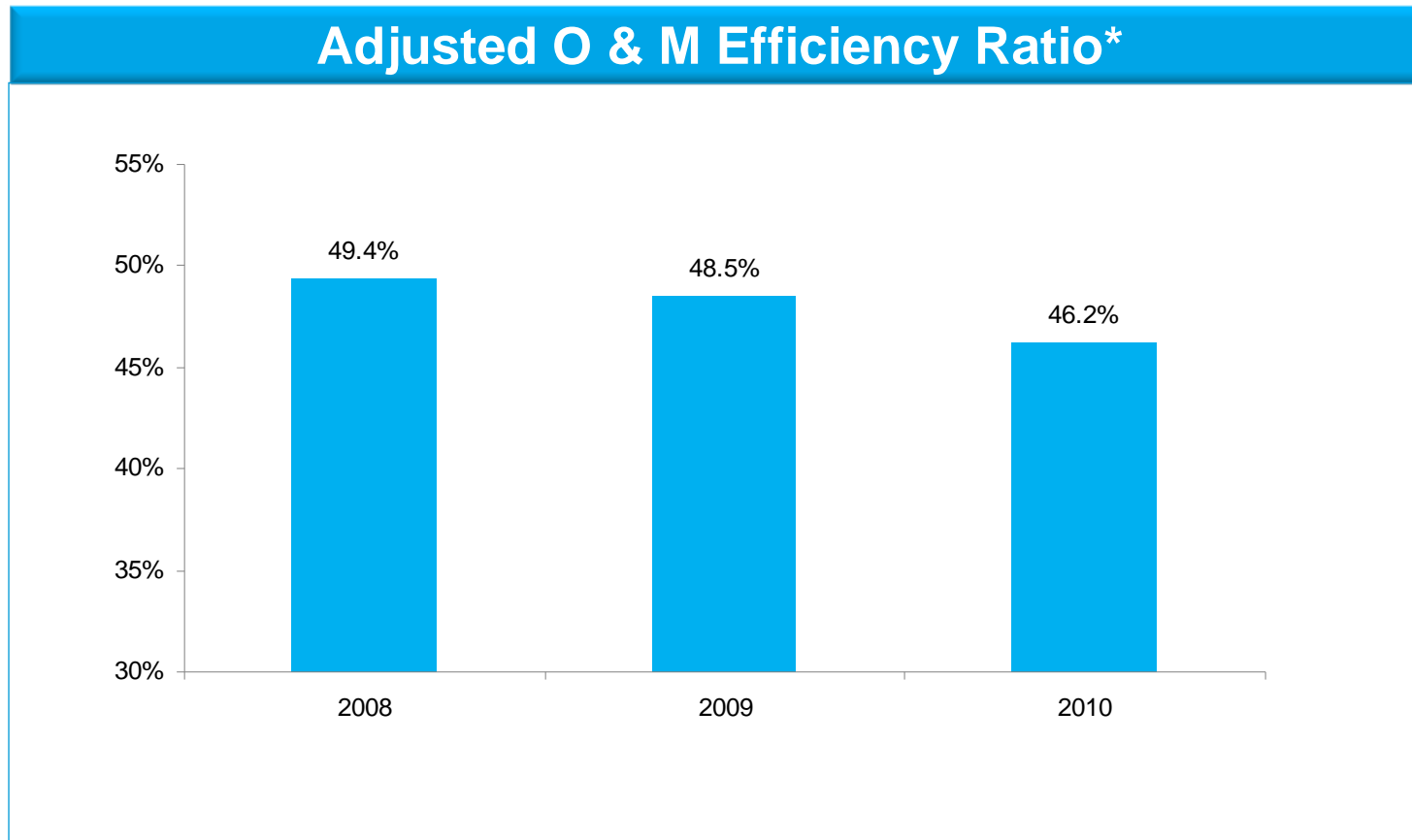
(\$ in millions)



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Regulated O&M Efficiency Ratio Continues to Improve



*O&M Efficiency Ratio = operating and maintenance expenses / revenues, adjusted for purchased water

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Outlook: 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

The Company is committed to the fair disclosure of information to investors in compliance with all applicable securities laws, including Regulation FD; and consequently, our disclosure and guidance policy states that the Company will not comment privately on a prior public statement about guidance.

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

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What to Expect from American Water in 2011

- Start execution of Portfolio Optimization Initiative
 - December 15, 2010: Announcement of acquisition of Missouri properties & sale of Texas American
 - January 24, 2011: Announcement of sale of Arizona American and New Mexico American

- Resolve Rate Cases worth \$93MM of filed Annualized Revenues by December 31, 2011

- Initiate state specific efforts to address declining usage

- Continue reduction in Operating Efficiency Ratio
 - Five-year goal below 40%

- Increase Earned Regulated Return

- Expand Market-Based businesses with focus on Homeowner Services & Military Contract Operations

- Optimize Municipal Contract Operations Business Model

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

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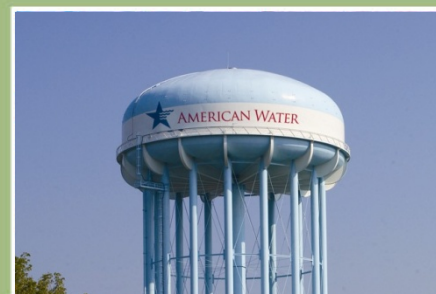
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Core Strategy: Continuing Effort to Earn Appropriate Rate of Return on Prudent Investments

Rate Cases & Infrastructure Charges Granted in 2010 that will have impact on 2011			
	Effective Date for New Rates	ROE Granted	Increase to Revenue
<u>General Rate Cases:</u>			
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
<i>Subtotal - General Rate Cases</i>			<u>\$201.2</u>
<u>Infrastructure Charges:</u>			
Pennsylvania			8.5
Indiana			5.4
Other			0.4
<i>Subtotal - Infrastructure Charges</i>			<u>\$14.3</u>
Grand Total			\$215.5

Average Timing of Rate Cases: Approximately every 2 Years

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Rate Cases Awaiting Final Order as of December 31, 2010

	<u>Docket / Case Number</u>	<u>Date Filed</u>	<u>Revenue Increase Filed</u>	<u>ROE Requested</u>	<u>Rate Base (Filed)</u>	<u>Filing Status</u>
Virginia*	Case No. PUE 2010-00001	3/8/2010	\$6.9	11.50%	\$99.1	5
California	Case No. A 10-07-007	7/1/2010	\$37.3	10.20%	\$409.6	2
West Virginia	Case No 10-920-W-42T	6/22/2010	\$18.4	11.50%	\$437.6	3
Tennessee	Case No 2010-00189	9/17/2010	\$10.0	11.50%	\$125.5	2
Arizona	W-01303A-10-0448	11/3/2010	\$20.8	11.50%	\$148.9	1
Total			<u>\$93.4</u>		<u>\$1,220.7</u>	

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

Note: Above excludes 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

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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

Operating Expenses Excluding Impairment Charge (A Non-GAAP Unaudited Number)	Historical		
	2008	2009	2010
<i>(\$ in thousands)</i>			
Total operating expenses, net	\$2,523,824	\$2,267,094	\$1,962,586
Less: Impairment charge	750,000	450,000	0
Total operating expenses excluding impairment charge	\$1,773,824	\$1,817,094	\$1,962,586

Return on Equity Excluding Impairment Charge (A Non-GAAP Unaudited Number)	Historical		
	2008	2009	2010
<i>(\$ in thousands)</i>			
Net income (Loss) from Continuing Operations	(\$562,421)	(\$233,083)	\$267,827
Adjustments			
Impairment charges	738,475	443,024	0
SOX Implementation Costs	8,678	0	0
Divestiture/Sale Expenses	5,200	1,126	0
Other (Condemnation/Regulatory Approvals)	4,116	0	0
Adjusted Net Income from Continuing Operations	\$194,048	\$211,067	\$267,827
Year End Stockholders' Equity	\$4,102,001	\$4,000,859	\$4,127,725
ROE Percentage	4.73%	5.28%	6.49%

Rate Base as of December 31, 2010 ⁽¹⁾	
<i>(\$ in Thousands)</i>	
Net Utility Plant	\$11,058,565
Less	
Advances for Construction	611,209
CIAC – Contributions in Aid of Construction	1,016,462
Deferred income taxes	1,093,055
Deferred investment tax credits	31,023
Sub Total	\$2,751,749
Rate Base	TOTAL \$8,306,816

(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes

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