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New Mexico American Water Files Rate Plan for Clovis

Rate increase will fund necessary water supply projects

Clovis, NM (July 1, 2008) --New Mexico American Water has announced that it has filed for a rate adjustment for the Clovis area with the New Mexico Public Regulation Commission (NMPRC). The adjustment is being driven by new infrastructure investment needs, which include wells to ensure an adequate supply of water.

"We have put together a very good request for the commission to consider," said Kathy Wright, New Mexico American Water vice president. "It contains investments to secure our long term water supply, improve system reliability and balances the necessary revenue increases with a continued focus on conservation initiatives to help our customers lower their water usage."

Effects of the proposal for customers will vary according to customer class and usage. Under the proposed plan, a residential customer using about 5000 gallons of water per month would see an increase of 13 cents per day, or approximately 16%, from \$25.24 to \$29.25 on a monthly bill.

Since 2003, the static water levels in New Mexico American Water's 53 wells in the Ogallala Aquifer have declined an average of three feet per well per year. Annual well production rates are decreasing, on average, 16 gallons per minute per well, which amounts to a 10% decrease in annual output. Without developing new sources of water supply now, the area may experience a water supply deficit in four to five years.

New Mexico American Water has proposed increasing revenue \$2,158,987 annually to fund infrastructure improvements that improve the supply and reliability of the Clovis water system and cover increased operating costs.

Some of the major infrastructure projects for Clovis include \$2,175,686 spent in 2007 to convert irrigation wells to municipal use and install water mains to connect them to the system. Approximately \$2,469,000 will be spent in 2008 to convert wells and connect them to the system. Other projects include spending \$662,574 to install 13,600 feet of 12-inch water main at the City of Clovis Industrial Development Park. Increased operating and maintenance costs, increased power costs, and the increased cost of capital are also covered in the proposed rate plan.

"Our greatest challenge in Clovis is to ensure a stable supply of water for our customers. For most customers it will cost about 13 cents a day to fund upgrades to facilities and develop new sources of water supply," stated Ms. Wright. "These investments, combined with continued conservation initiatives, will go a long way towards stabilizing our water supply and rewarding customers who use water wisely."

The case will now be considered by the NMPRC, which determines rates for New Mexico American Water customers by examining operating costs and infrastructure investments. The Clovis rate case is expected to be decided by the NMPRC by April, 2009.

New Mexico American Water is the largest investor-owned water utility in the state, providing high-quality and reliable water and related services to more than 48,000 people.

New Mexico American Water is a wholly-owned subsidiary of American Water. 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 nearly 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15.6 million people in 32 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

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