

PRESS RELEASE



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For Immediate Release

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CALIFORNIA AMERICAN WATER'S COST OF CAPITAL APPLICATION APPROVED

CORONADO, Calif. (July 12, 2012) – California American Water announced today that the California Public Utilities Commission (CPUC) has approved its Cost of Capital Application. This follows a joint-party settlement and a Proposed Decision that adopted that settlement with no modifications. The approval is retroactive to January 1, 2012.

The decision approves a Return on Equity of 9.99 percent and a weighted average cost of debt of 6.63 percent. It approves a capital structure that increases the previous authorized 42 percent equity to 53 percent, increasing California American Water's overall cost of capital to 8.41 percent from 8.04 percent. This is estimated to be a \$4.5 million increase in rates for 2012.

This decision was the result of a settlement between four water companies and the CPUC Division of Ratepayer Advocates. The settlement extends the Cost of Capital Adjustment Mechanism that provides for an adjustment to the return on equity and cost of debt should the 12 month average (Oct 1 – Sept. 30) Moody's indexed cost of Baa rated long-term debt vary by 100 basis points or more.

This is the third meaningful CPUC decision for California American Water this year. In June the CPUC ruled on the 2012-2014 General Rate Case and on the San Clemente Dam Removal Project in Monterey County.

California American Water, a subsidiary of American Water (NYSE: AWK), provides high-quality and reliable water and/or wastewater services to approximately 600,000 people.

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs approximately 7,000 dedicated professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in more than 30 states and parts of Canada. More information can be found by visiting www.amwater.com.

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