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American Water Announces Acquisition

New Jersey American Water Agrees To Purchase S.J. Services Inc.

Voorhees, NJ - December 14, 2006

American Water announced today that its subsidiary, New Jersey American Water, has agreed to purchase S.J. Services Inc. The acquisition will expand New Jersey American Water's service area and customer base deeper into Southern New Jersey.

"Consolidation of water systems is especially important for those communities looking for sustainable solutions for their water quality and capacity needs," said Donald Correll, president and chief executive officer of American Water. "Being part of an American Water regional service area ensures the community of a dependable supply of high quality drinking water and other related services."

Purchase of S.J. Services Inc. includes the South Jersey Water Supply Company in southern Gloucester County and Pennsgrove Water Supply Company in northern Salem County. The acquisition will allow New Jersey American Water to increase its statewide customer base by approximately 6,500. And, with the addition of Salem County, the company will have a presence in 17 of the state's 21 counties.

"We are proud that S.J. Services Inc. will become part of the American Water family. This acquisition demonstrates the company's commitment to growth in New Jersey," said Walter Lynch, president of New Jersey American Water. "This is an exciting time for our company and our customers."

The acquisition requires New Jersey Board of Public Utilities approval and is expected to close sometime in 2007. The purchase will allow New Jersey American Water to expand its services into a high-growth area of the state where additional water resources are needed for economic development.

New Jersey American Water is the state's largest water utility serving over two million people in 176 communities throughout the state. New Jersey American Water is a wholly-owned subsidiary of American Water, the largest and most geographically diversified provider of water services in North America.

With headquarters in Voorhees, NJ, American Water employs approximately 7,000 dedicated professionals who provide high quality water, wastewater and other related services to more than 17 million people in 29 states and Canada. On November 4, 2005, RWE announced its intention to divest American Water.

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