

FOR IMMEDIATE RELEASE

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PENNSYLVANIA AMERICAN WATER COMPLETES SYSTEM UPGRADES FOR THREE LACKAWANNA COMMUNITIES

Approximately \$487,000 invested in system improvements

WILKES-BARRE, Pa. (September 11, 2008) – Pennsylvania American Water today announced several recently completed projects to replace aging and undersized water main in the Lackawanna County communities of Archbald, Carbondale, and Blakely to improve service reliability for customers and increase water flows for firefighting. The combined cost of the pipe upgrades is approximately \$487,000, which is part of the company's nearly \$4 million capital improvement program this year for its Lackawanna County water systems.

“These continued capital investments demonstrate our commitment to rehabilitate and upgrade the area's water infrastructure to help ensure that our customers receive quality, reliable water service for years to come,” said Tony Gangemi, superintendent of field operations, Pennsylvania American Water.

The upgrades include replacing undersized pipe with new six- and eight-inch ductile iron main in the following areas:

- In Archbald, the company installed approximately 1,200 feet of eight-inch water main along South Miller Street, replacing the existing four-inch pipe.
- In Carbondale, crews installed approximately 150 feet of eight-inch ductile iron pipe along Foster Place, replacing the existing four-inch pipe.
- In Blakely, approximately 1,600 feet of existing six-inch pipe was upgraded to new eight-inch pipe along Hickory Street in the borough. Another project planned for mid-September involves replacing approximately 300 feet of existing two-inch water main with new six-inch pipe along First Street.

The company expects to complete final paving restoration of the roads by the end of September.

Pennsylvania American Water is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to more than 2.1 million people. In addition to its subsidiaries' regulated operations, American Water provides operation and maintenance services to an additional 112,000 people in Pennsylvania. Pennsylvania American Water is a wholly owned subsidiary of American Water (NYSE: AWK). 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

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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.

This release contains forward looking statements, including, among others, our plan to continue our long-term strategy of capital investment in our systems. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, changes in regulations or regulatory treatment and availability and the cost of capital. We undertake no obligation to publicly update or revise any forward-looking statement.

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