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Lisa Reisen
Lisa.Reisen@amwater.com

IOWA AMERICAN WATER BEGINS CONSTRUCTION ON NEW WATER TREATMENT FACILITY IN CLINTON

*Approximately \$4.5 Million Project Will Safeguard Quality, Increase Capacity
and Improve System Reliability*

CLINTON, Ia. (August 29, 2008) --- Iowa American Water officials joined today with Clinton community leaders and project partners to break ground on a new 3.4 million gallon per day water treatment plant in Clinton County. The approximately \$4.5 million water treatment facility will be constructed east of Highway 67 in Camanche, just north of the First Gateway Credit Union where Iowa American has two wells.

“We are investing in this new water treatment plant to enhance the quality of water that our wells produce, increase our production capacity and improve system reliability in the City of Clinton. This project is an example of Iowa American Water’s commitment to our customers and communities we serve, now and in the future,” said Brock Earnhardt, president of Iowa American Water.

“Progressive municipal officials and community leaders have positioned Clinton for the growth and improvement that it is already experiencing. Water is a critical part of every day life and essential to a growing and vibrant community like Clinton,” Earnhardt continued. “We are committed to working with the community to assure we are providing the highest quality water service possible and meeting the needs of our customers by effectively and efficiently treating, delivering and protecting this valuable resource.”

Iowa American's new water treatment plant will use an innovative technology to reduce naturally-occurring radium levels that have been rising as communities across Iowa and Illinois draw increasing amounts from the aquifer. This project is the first within the American Water system to utilize this technology.

One well on the site, with a capacity of 2 million gallons per day, is currently in service and consistently in compliance with all U.S. Environmental Protection Agency quality regulations and standards. The second well on site has been inactive because it produces sand. The new water treatment plant will remove the sand as well and add 1.4 million gallons of capacity per day to satisfy water demands from the growing community.

“We want to assure our customers in Clinton that the water currently flowing from their taps continues to meet or surpass all standards for safety,” added Earnhardt. “Quality water service requires continuous investments such as this. Because of the impact of humans on the lands and waters of our state, we can no longer depend upon water that once flowed from the ground with high purity. We are making these improvements ahead of further deterioration in quality.”

Besides construction of the new treatment plant in Clinton, Iowa American Water will make an additional investment of approximately \$4.3 million in the following projects through 2009:

- Liberty Avenue Water Main Replacement Project --- This project, totaling approximately \$3.9 million, will replace 14,500 feet of water main in conjunction with the Highway 30 improvements through Clinton. Construction will begin this fall with completion scheduled for February 2009.
- Well #9 Chemical Feed Improvements --- An investment of about \$400,000 will be made to replace existing chemical feed systems to improve treatment reliability and safety. These improvements will ensure compliance with the new Groundwater Rule which will take effective in December 2009. The project is scheduled for completion in June 2009.

The new treatment plant is scheduled to be substantially complete by year's end and will be fully operational in spring 2009. The contractor for the project is General Constructors, Inc., Bettendorf, Iowa.

About Iowa American Water

Iowa American Water is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 203,000 people. In addition to its subsidiaries' regulated operations, American Water provides wastewater contract operations to Sioux City, serving an additional 85,000 people. Iowa 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 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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