2017 Second Quarter Earnings Conference Call
August 3, 2017

Forward-Looking Statements

Ed Vallejo
Vice President Investor Relations

August 2017

Forward-Looking Statements and Other Information

Certain statements in this press release including, without limitation, 2017 earnings guidance, projected long term earnings growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the binding global settlement in principle to settle claims associated therewith; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

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Today's Speakers

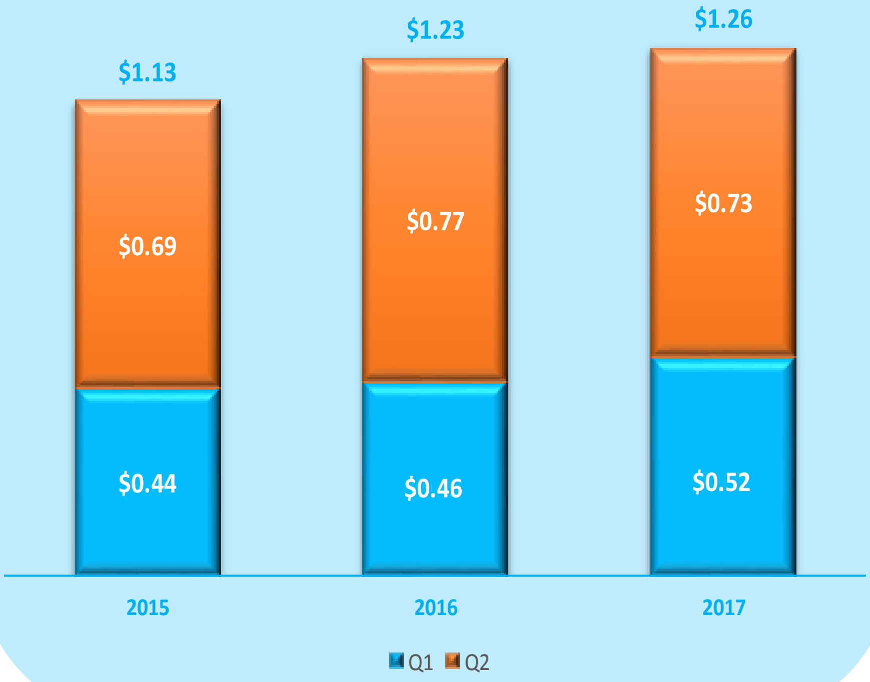
Susan Story
President and
Chief Executive Officer

Walter Lynch
Chief Operating Officer

Linda Sullivan
Chief Financial Officer

Overview of Second Quarter 2017 Results

Earnings Per Share Continuing Operations



Why was 2Q 2017 weaker Vs 2Q 2016?

Expected 2017 Q2 Impacts

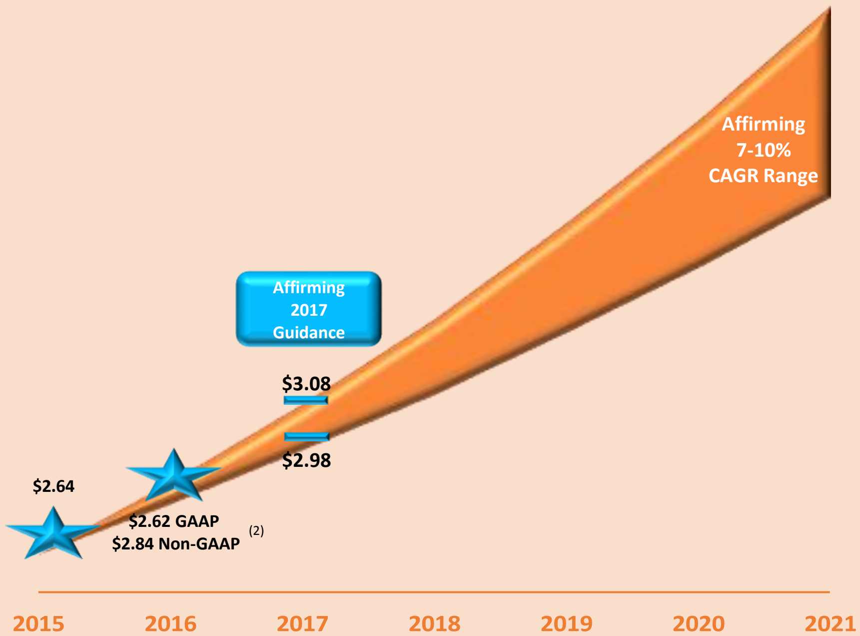
- $0.02 MSG – Lower Capital Upgrades
- $0.02 NY Tax Cumulative Adjustment

2016 Q2 Benefits

- $0.02 2016 Weather
- $0.01 Contract Settlement

We are affirming 2017 Guidance Range of $2.98-$3.08

Affirming 2017 EPS Guidance Range $2.98 – $3.08 and EPS Growth CAGR Range of 7-10% [(1)]



Why are we affirming 2017 Guidance Range of $2.98 - $3.08?

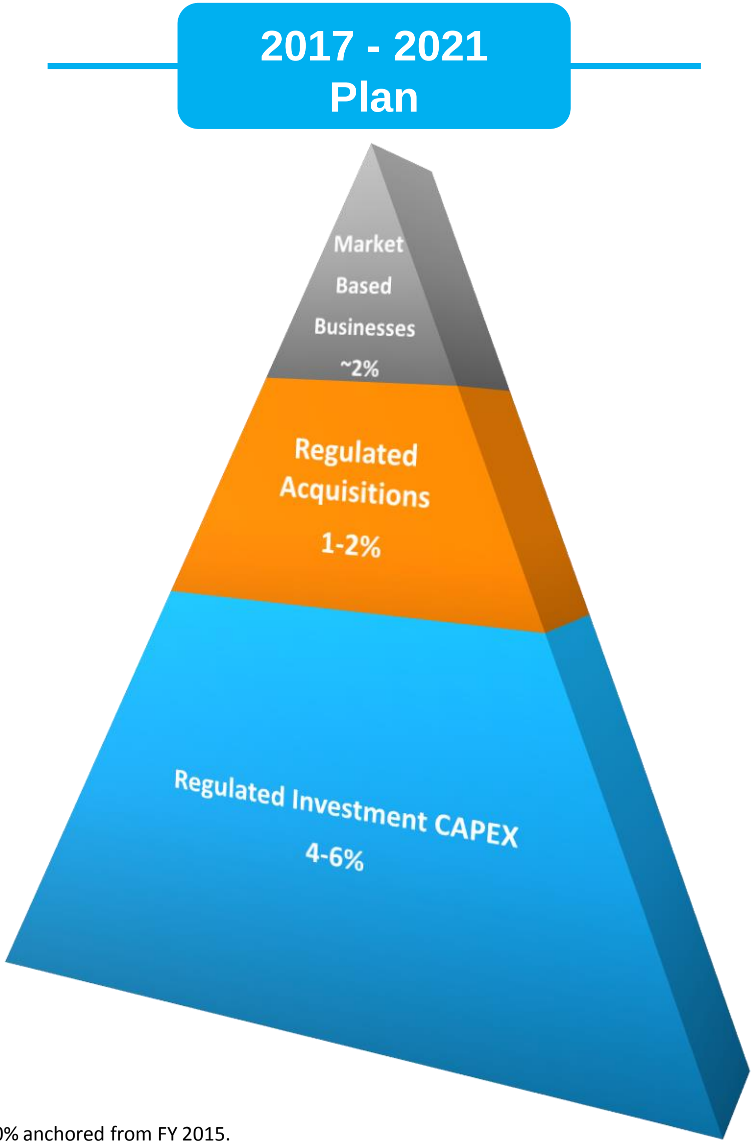
Outlook for remainder of year

- Solid Regulated Growth
- Continuing strength in acquisitions
- Consistent Capital Investment
- Increased backlog of work in Appalachian Shale

(1) Anchored from FY 2015 EPS.

(2) Adjusted Earnings Per Share is a non-GAAP measure. See Appendix for reconciliation

Our Regulated Business Continues to be the Foundation of our Strong Long-Term Outlook



Note: Growth triangle reflects 2017 – 2021 EPS CAGR goal of 7-10% anchored from FY 2015.

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The Regulated Business

Walter Lynch
Chief Operating Officer

Regulated Businesses Update as of the second quarter

NEW JERSEY AMERICAN WATER

New Jersey Water Quality Accountability Act
- Signed into law July 21

NEW YORK AMERICAN WATER

New York Rate Order
- Increased annualized revenue by $3.6 million
- $150 million in infrastructure improvements made since 2013
- Reduced O&M expenses by $2.7 million

VIRGINIA AMERICAN WATER

Virginia Rate Order
- Increased annualized revenue by $5.2 million
- $53 million in infrastructure improvements made since 2012
- Reduced O&M expenses by 2%

PENNSYLVANIA AMERICAN WATER

Pennsylvania Rate Case
- Capital Investment of ~$1.3 billion, including DSIC, since the company's last rate filing in 2013
- Requested increase approximately $108 million, or 16% over present rates
- Requested ROE is 10.8%

MISSOURI AMERICAN WATER

Missouri Rate Case
- Requested ROE of 10.8% & increase of $84 million over revenues authorized in the last case

Missouri ISRS
- Updated request for $5.4 million

WEST VIRGINIA AMERICAN WATER

West Virginia Distribution System Improvement Program
- Requested a surcharge of 3.28%
- New surcharge effective on January 1, 2018.

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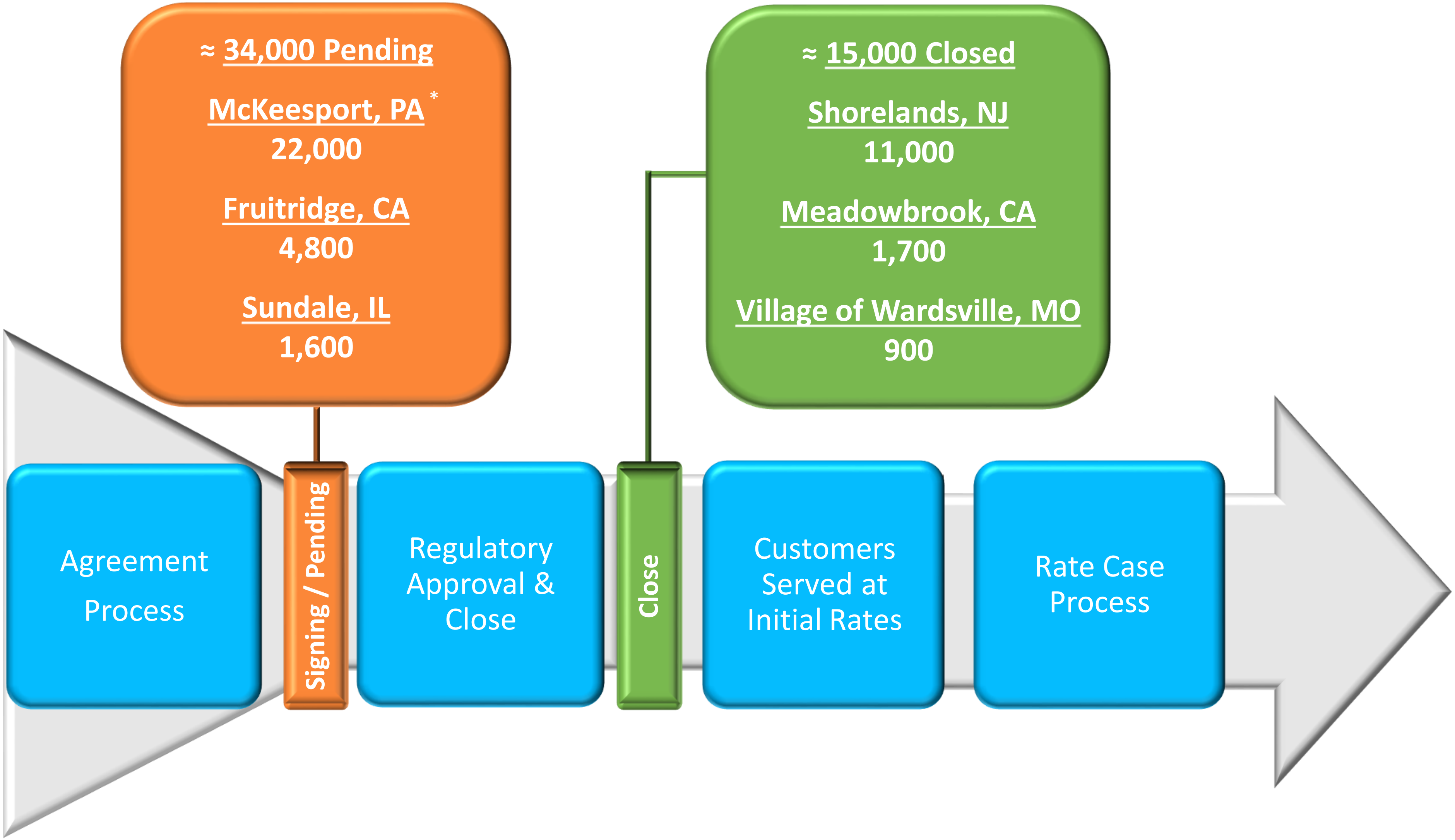
Regulated Acquisitions Update



This includes the McKeesport, PA acquisition, which represents 22,000 customers, due to bulk contracts. Connections to the system will be approximately 11,000.

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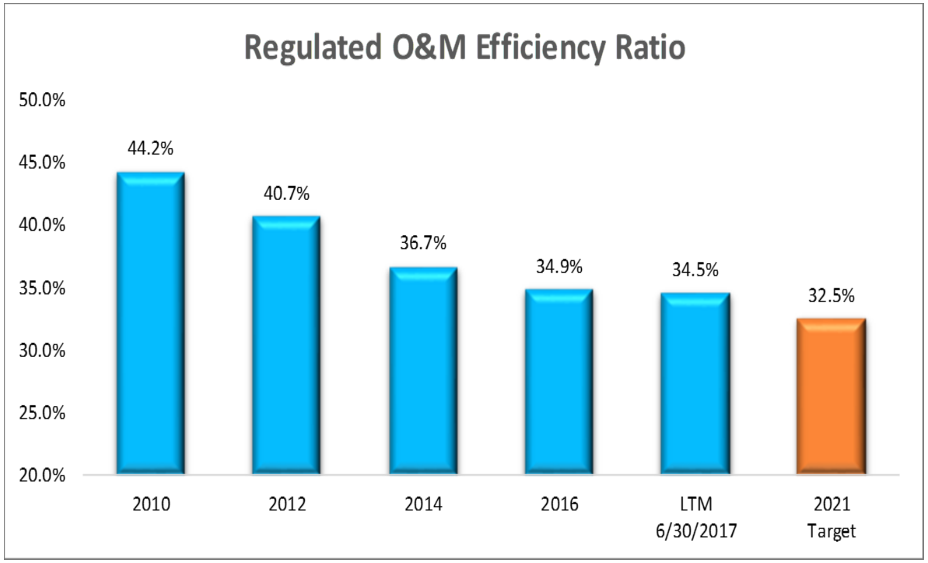
O&M Efficiency continues to improve on our way to 32.5% target by 2021



[1] Non-GAAP Measure – See appendix for reconciliation. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses. A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.

New Service Installation Process

Waste Walks

Original

New

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Capital Investments aid communities in need – Bel Air, Maryland

Raw Water Impoundment

- Off-line reservoir built off of Winters Run near current Water Treatment Plant
- Water pumped from Winters Run to fill impoundment
- Small footprint resulting from the use of a liner – 11.5 acres
- Provides 90 million gallons of storage
- Environmentally friendly:
  - Won't impede stream flows
  - Won't disrupt local ecology

Guiding Principles for Long-Term Supply Solution

- Long-term, safe, secure and sustainable water supply
- Environmentally sound
- Cost effective, least impact to customers
- Provides back-up, redundancy

Financial Results

Linda Sullivan
Chief Financial Officer

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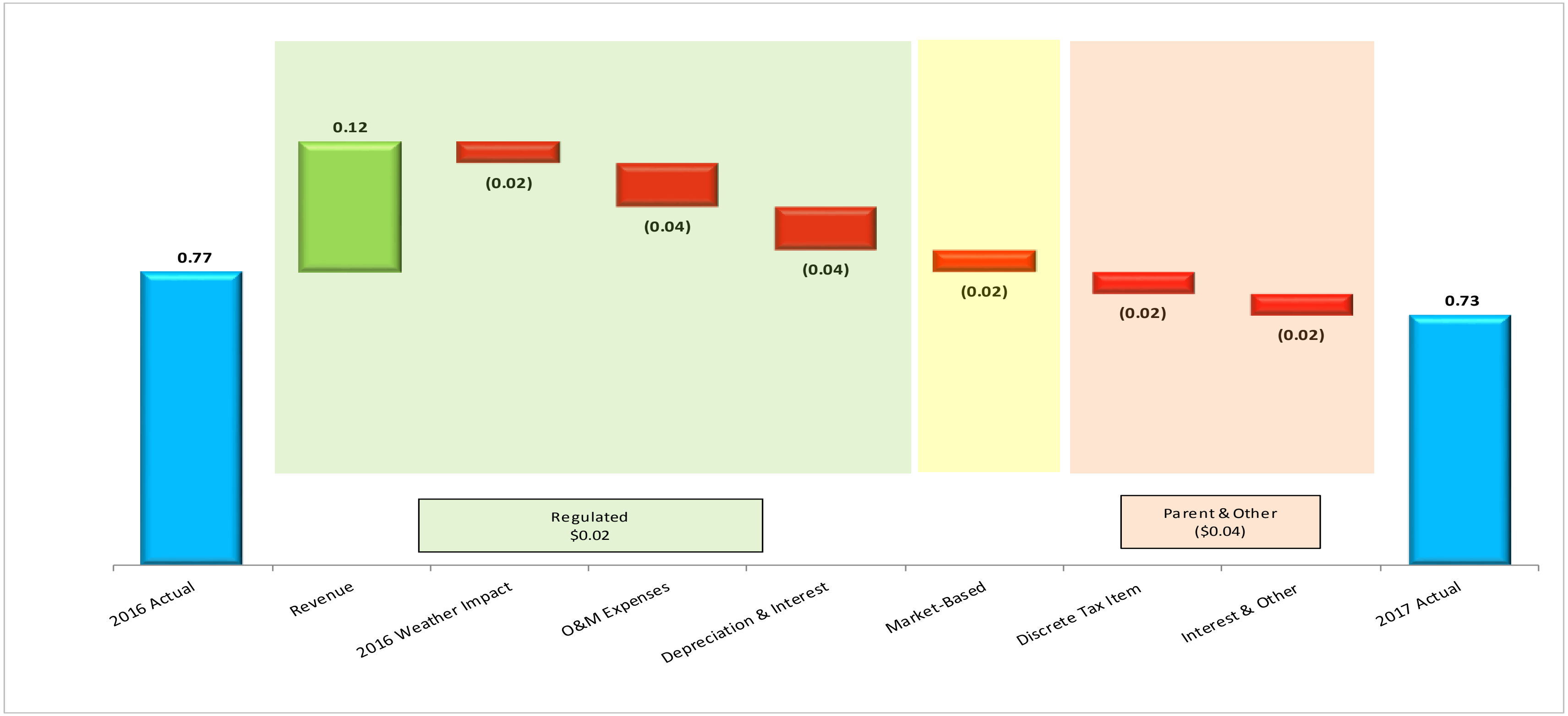
Second Quarter EPS Results

EPS Contribution By Business Segment (Diluted EPS from Continuing Ops)			
	Q2 2017	Q2 2016	Change
Regulated Segment	$0.78	$0.76	$0.02
Market Based Operations	$0.05	$0.07	($0.02)
Parent Interest & Other	($0.10)	($0.06)	($0.04)
Total EPS	**$0.73**	**$0.77**	**($0.04)**



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2017 Legislative Changes impacting State Income Taxes

NEW YORK AMERICAN WATER

Manufacturers Tax Change

- **Eliminated the manufacturers deduction for water utilities**

ILLINOIS AMERICAN WATER

State Income Tax Rate

- **Increased state income tax rate from 7.75% to 9.5% , effective July 1, 2017**

Required a re-measurement of deferred tax liabilities

(in millions)	One-Time Adjustment	Regulatory Asset	P&L Impact	QTR
NY	$11	$7	$4	2Q
IL	$6	$3	$3	3Q
Total	**$17**	**$10**	**$7**	

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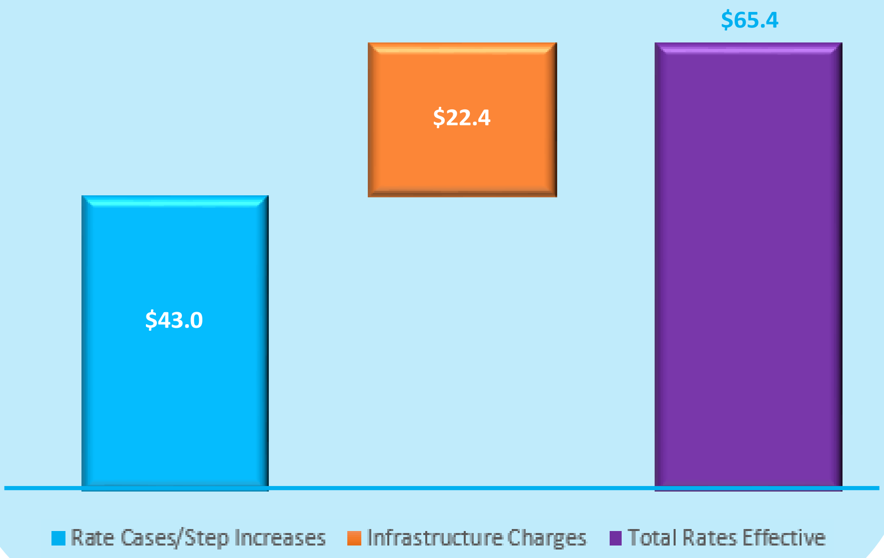
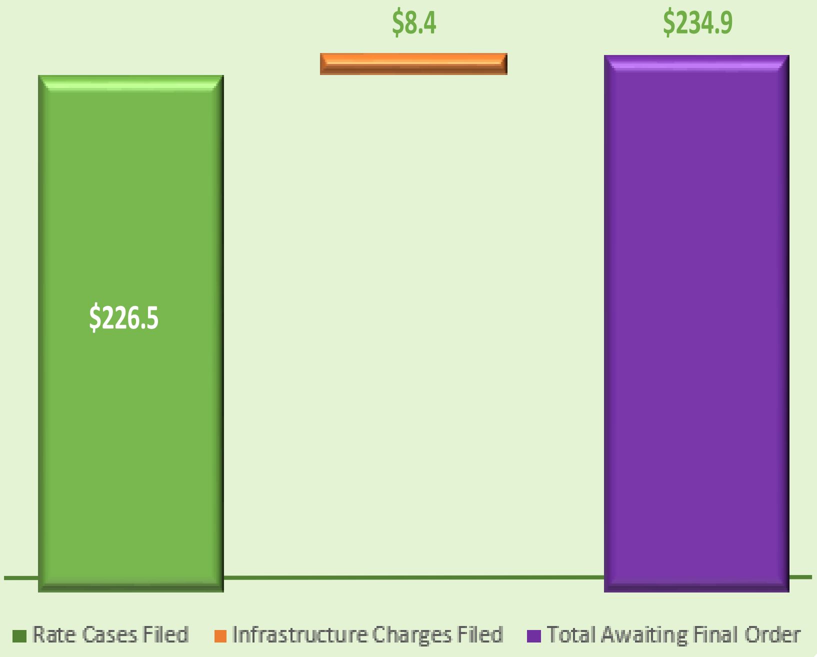
Rate Filings Completed and Awaiting Final Order

2017 Annualized Revenue Increase for Rates Effective

Since January 1, 2017



Requested Revenue for Rate Cases Awaiting Final Order



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American Water affirms 2017 Guidance Range

Affirming 2017 EPS Guidance Range

$2.98 ⟷ **$3.08**

Guidance Includes:

- **Weather variability of +/- 7 cents**
- **Expected lower capital upgrades for the Military Services Group**
- **One-time cumulative tax adjustments:**
  - **$0.02 in Q2 for NY**
  - **$0.02 in Q3 for IL**

Wrap Up

Susan Story
President and Chief Executive Officer

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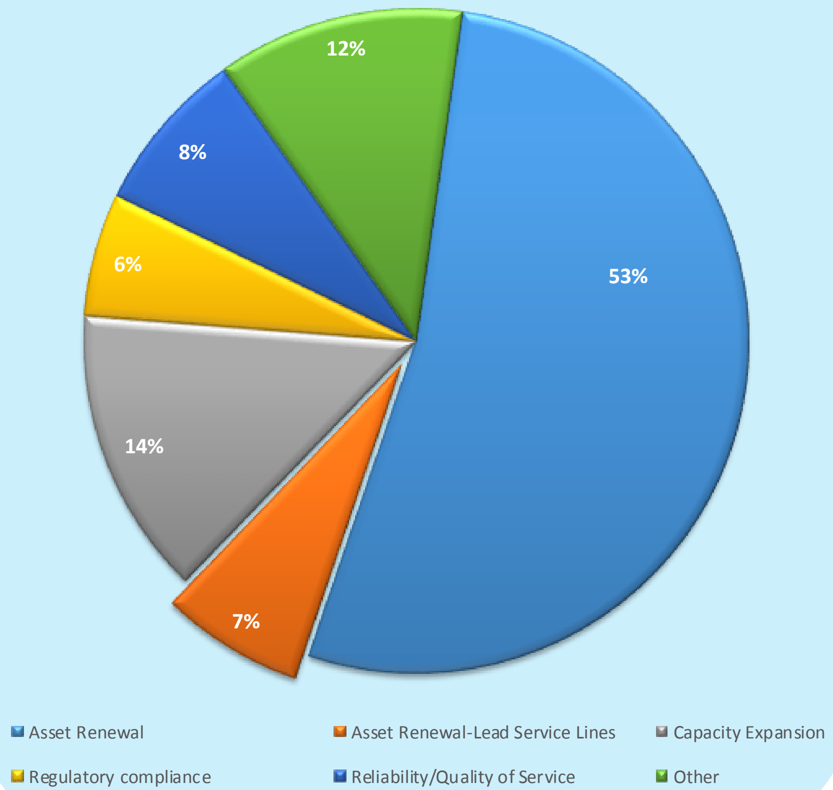
American Water focus on Pipe Replacement including Lead Service Lines

2017 – 2021 Average Regulated Capital Expenditures by Purpose $5.9 Billion



Regulatory Initiatives

MISSOURI AMERICAN WATER

PENNSYLVANIA AMERICAN WATER

NEW JERSEY AMERICAN WATER

VIRGINIA AMERICAN WATER

Legislative Authorization

INDIANA AMERICAN WATER

Full Lead Service Line Replacement Program Assessment

NEW JERSEY AMERICAN WATER

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Q & A Session

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Upcoming Events:

- **Nov 2nd: Q3 Earnings Call**
- **Dec 12th: 2018 Earnings Guidance Conference Call**

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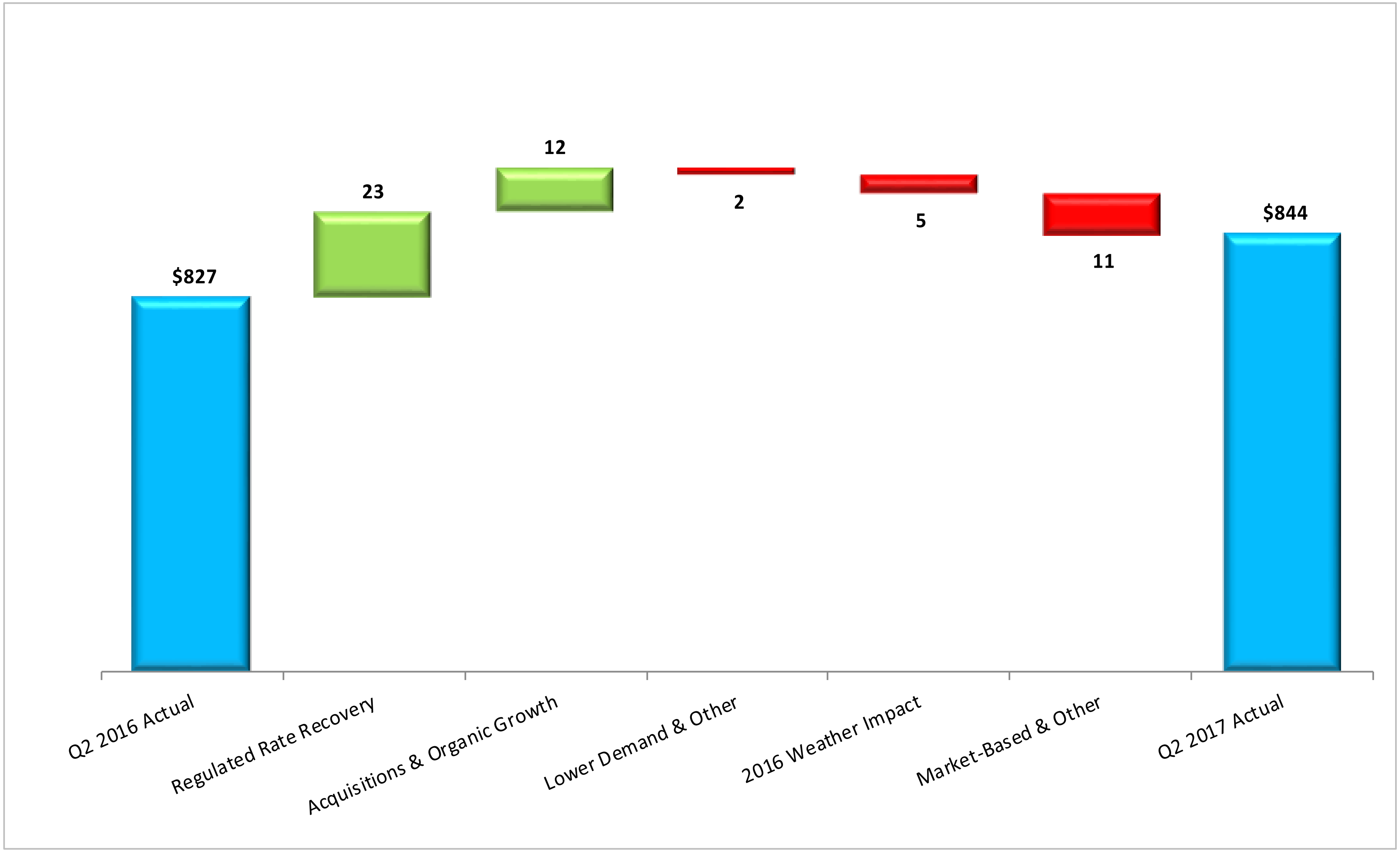
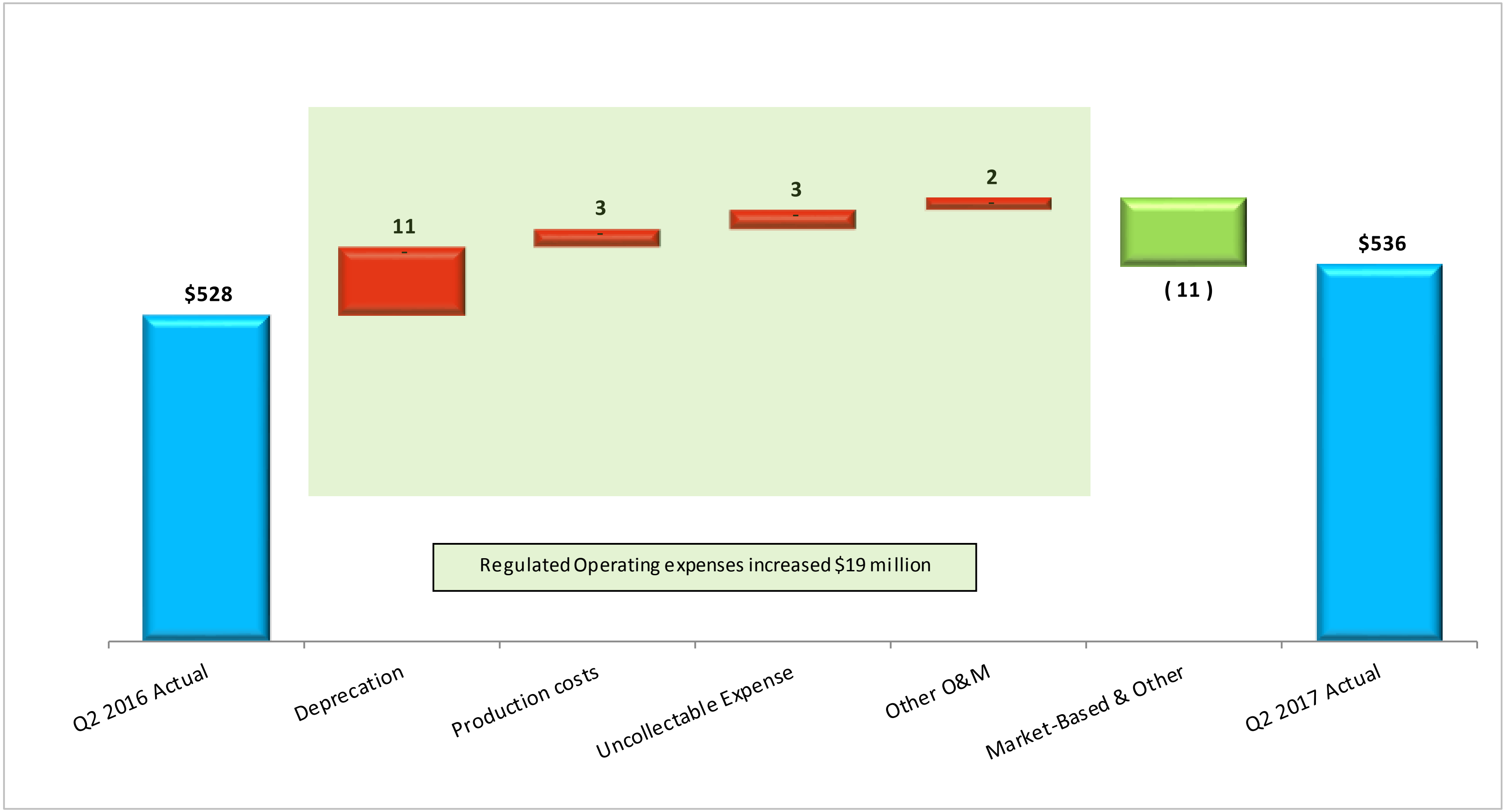
Appendix

2017 Second Quarter Revenue Breakdown

($ in millions)



2017 Second Quarter Operating Expense Breakdown
($ in millions)



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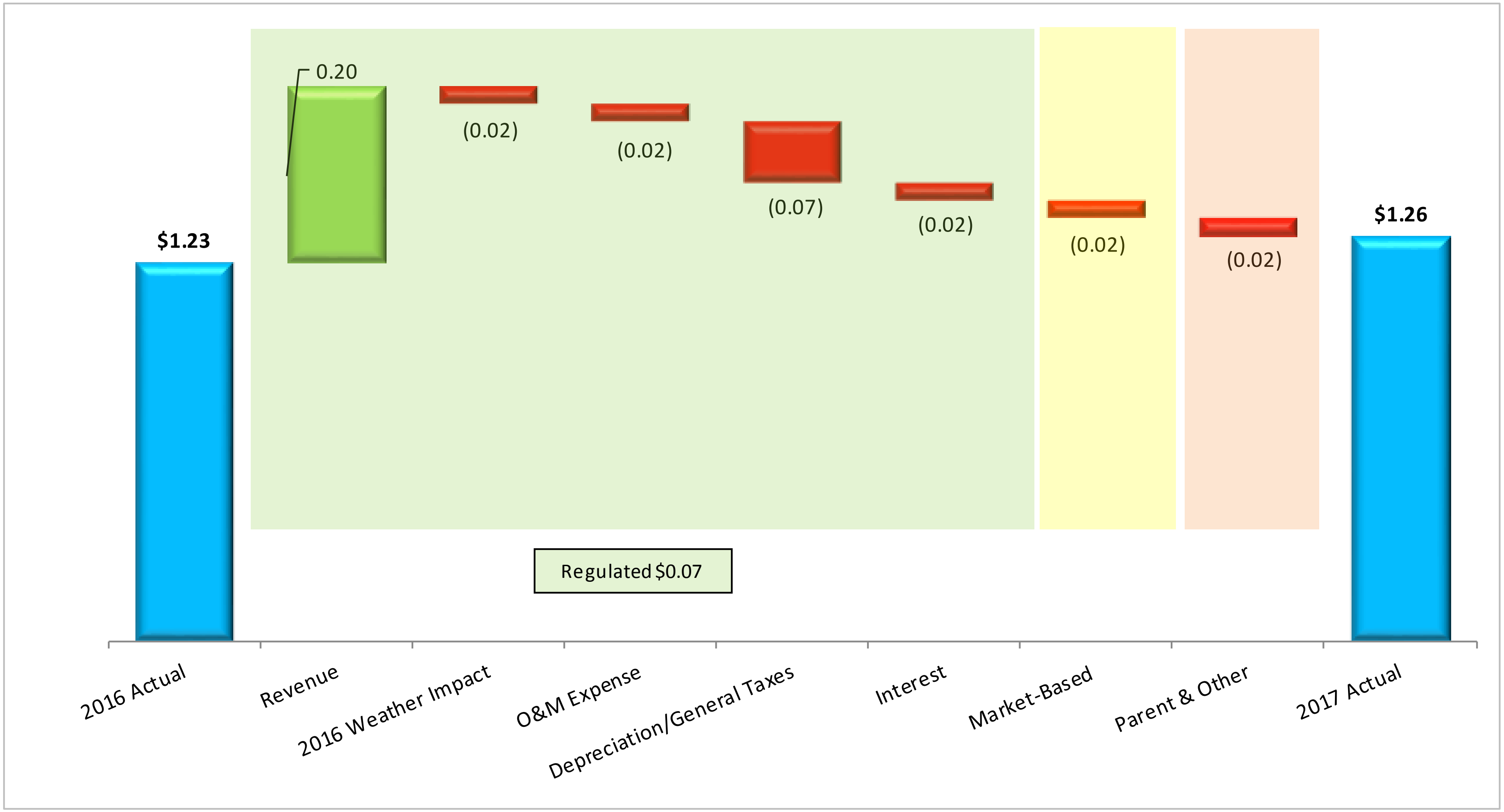
Financial Summary – Earnings Per Share

Year-to-Date Year Over Year



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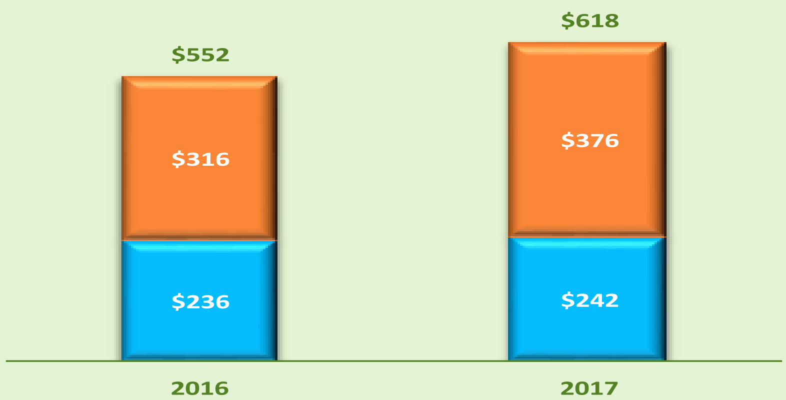
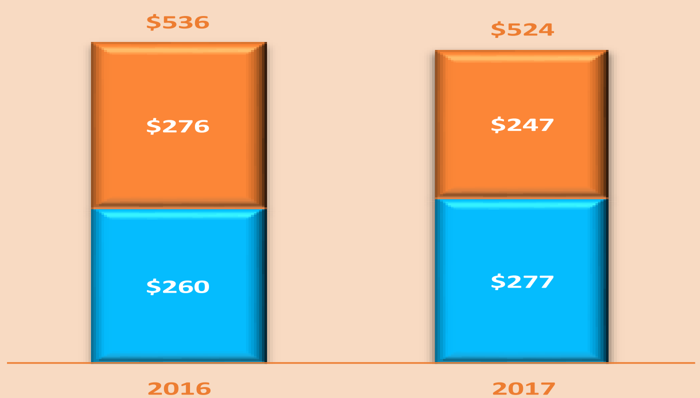
Key Financial Metrics

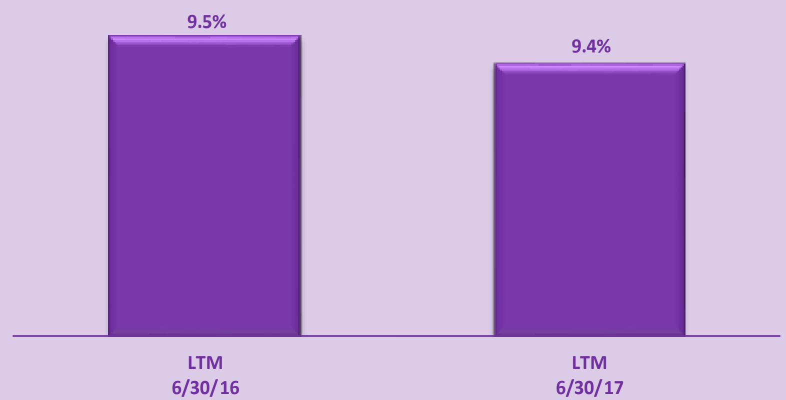
Capital Investment
(in millions)



Cash Flow from Operations
(in millions)



Adjusted Return on Equity[1]



Legend: Q2 Q1

[1] *Adjusted Return on Equity is a non-GAAP measure. Please see reconciliation table in appendix.*

Rates Effective since January 1, 2017

	Date Effective	Annualized Revenue Increases Effective Since January 1, 2017	
Infrastructure Charges			
West Virginia (DSIC)	1/1/2017	$1.5	
Pennsylvania (DSIC - W)	1/1/2017	1.2	
Tennessee	3/14/2017	1.7	
Indiana	3/22/2017	8.3	
New Jersey (DSIC) WR15060724	6/1/2017	9.7	
		$22.4	
Rate Cases & Step Increases			
California Step Increase	1/13/2017-2/2/2017	$4.8	
Illinois	1/1/2017	25.7	(a)
Iowa	3/27/2017	3.7	(b)
New York	6/1/2017	3.6	(c)
Virginia	4/1/2016	5.2	(d)
		$43.0	
	Total	**$65.4**	

(a) The revenue amount received includes $25.7 million for water and wastewater operations, these amounts exclude the $9.5 million in QIP revenue previously allowed for a total approval of $35.2 million.

(b) Iowa rates were increased on an interim basis, under bond and subject to refund, effective 5/9/2016 in the amount of $2.1 million on an annual basis. No refund is necessary and the effective date of new rates is March 27, 2017. Rate case expense totaling $1,257k will be amortized over three years and recovered through a rider, the $419k additional revenue is not included in the revenue amount received.

(c) Total Rate award for this rate case was $21.2 million with increases of $3.6, $4.9, $4.7 and $8.0 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively.

(d) Rate Order effective May 24, 2017, implementing interim rates as of April 1, 2016 for the full amount of revenue request. Customers to receive credit for difference between interim and final approved rates. Included in revenue increase is $0.1k of non-jurisdictional revenues.

Rate Filings Awaiting Final Order

Rate Cases Awaiting Final Order						
A. Rate Cases Filed						
Company	**Docket / Case Number**	**Date Filed**	**Revenue Increase**		**ROE Requested**	**Rate Base**
California	Case No. A.16-07-002	7/1/2016	$34.6	(a)	NA	$493.9
Pennsylvania	Docket No. R-2017-2595853	4/28/2017	107.9		10.80%	3,199.4
Missouri	Case No. WR-2017-0285	6/30/2017	84.0	(b)	10.80%	1,345.3
			$226.5			**$5,038.6**
B. Infrastructure Charges Filed						
Missouri (ISRS)		5/15/2017	$5.4			$45.8
West Virginia (DSIC)		6/15/2017	3.0			23.9
			$8.4			**$69.7**
		Total Awaiting Final Order:	**$234.9**			

Rates Effective since January 1, 2016	
Grand Total	**$157.6**

(a) For this final application, Test Year 2018 revenue requirement request is $34.56 million. This excludes the step rate and attrition rate increase for 2019 and 2020 of $8.48 million and $7.74 million, respectively. The total revenue requirement request for the three year rate case cycle is $50.78 million.

(b) The requested increase is $89.4 million, which includes $5.4 million from the pending ISRS. This amount is a requested increase of $74.6 million over the prior authorized revenues (including ISRS)

Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries

	California American Water		Illinois American Water		Indiana American Water		Kentucky American Water		Missouri American Water	
Authorized Rate Base*	$439,448		$883,386		$841,915	(b)	$405,704	(b)	$1,132,843	(b)
Authorized ROE	9.99%	(a)	9.79%		9.75%		9.70%	(e)	9.75%	(e)
Authorized Equity	53.00%	(a)	49.80%		41.55%	(c)	47.36%	(d)	50.04%	(d)
Effective Date of Rate Case	1/1/2015	(a)	1/1/2017		1/29/2015		8/28/2016		7/20 & 7/22/2016	

	New Jersey American Water		New York American Water		Pennsylvania American Water		Virginia American Water		West Virginia American Water	
Authorized Rate Base*	$2,386,790		$275,463		$2,425,711	(b)	$155,747		$529,212	
Authorized ROE	9.75%		9.10%		10.25%	(e)	9.25%		9.75%	
Authorized Equity	52.00%		46.00%		51.69%	(d)	46.09%		45.84%	
Effective Date of Rate Case	9/21/2015		6/1/2017		1/1/2014		5/24/2017	(f)	2/25/2016	

**Rate Base stated in $000s*

Notes:

a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application, A.17-04-003 was filed April 3, 2017 with a projected effective date in 2018.

b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.

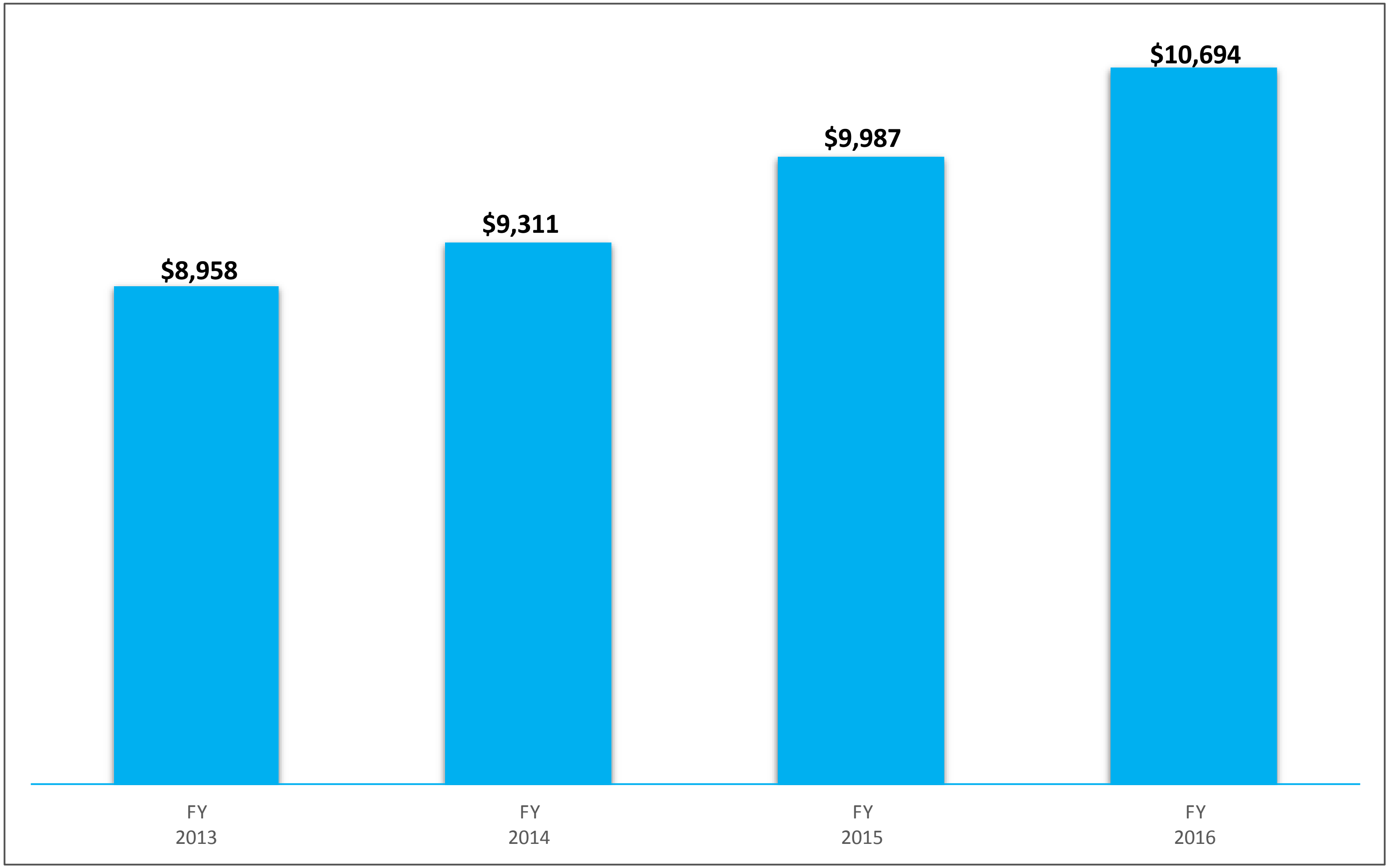
c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base

d) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

e) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.

f) Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

Rate Base Calculation [1]



[1] An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes.

Reconciliation Table: Adjusted Earnings Per Share

Diluted Earnings Per Common Share	2014	2015	2016
Diluted earnings per share	$2.35	$2.64	$2.62
Less:			
Loss from discontinued operations, net of tax	($0.04)	-	-
Income from continuing Operations	**$2.39**	**$2.64**	**$2.62**
Non-GAAP adjustment:			
Freedom Industries Chemical Spill in West Virginia	$0.06	-	-
Freedom Industries Binding Agreement in Principle	-	-	$0.36
Tax Impact of Non-GAAP adjustments	($0.02)	-	($0.14)
Subtotal	**$0.04**	**-**	**$0.22**
Adjusted diluted EPS from Continuing Operations (Non-GAAP)	**$2.43**	**$2.64**	**$2.84**

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Reconciliation Table: Adjusted Return on Equity

	LTM 6/30/16	LTM 6/30/17
Net Income	$492	$473
Adjustments:		
Freedom Industries Binding Agreement in Principle	-	65
Tax Impact	-	(26)
Adjusted Net Income from Continuing Operations	**$492**	**$512**
Stockholders' equity	$5,153	$5,384
Adjustments:		
Freedom Industries Binding Agreement in Principle	-	65
Tax Impact	-	(26)
Adjusted Stockholders' Equity	**$5,153**	**$5,423**
Adjusted Return on Equity	**9.5%**	**9.4%**

Reconciliation Table: Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio *(A Non-GAAP Unaudited Number)*	FY	FY	FY	FY	LTM
($ in millions)	**2010**	**2012**	**2014**	**2016**	**6/30/2017**
Total Operations and Maintenance Expense	$1,272	$1,330	$1,350	$1,504	$1,491
Less:					
Operations and Maintenance Expense – Market Based Operations	$237	$256	$289	$372	352
Operations and Maintenance Expense – Other	(61)	(57)	(51)	(44)	(44)
Total Regulated Operations and Maintenance Expense	$1,095	$1,131	$1,112	$1,175	$1,184
Less:					
Allocation of non-O&M costs to Regulated O&M expense	29	35	39	$30	28
Regulated Purchased Water Expense	100	110	122	$122	123
Freedom Industries Chemical Spill in West Virginia	-	-	10	-	-
Freedom Industries Binding Agreement in Principle	-	-	-	65	65
Estimated impact of weather	-	4	(2)	-	-
Adjusted Regulated Operations and Maintenance Expense (a)	**$966**	**$982**	**$943**	**$958**	**$968**
Total Operating Revenues	$2,535	$2,854	$3,011	$3,302	$3,332
Less:					
Operating Revenues – Market Based Operations	275	307	355	451	428
Operating Revenues – Other	(25)	(18)	(18)	(20)	(21)
Total Regulated Operating Revenues	$2,284	$2,565	$2,674	$2,871	$2,926
Less:					
Regulated Purchased Water expense*	100	110	122	122	123
Plus:					
Freedom Industries Chemical Spill in West Virginia	-	-	1	-	-
Estimated impact of weather	-	(43)	17	-	-
Adjusted Regulated operating revenues (b)	**$2,184**	**$2,412**	**$2,570**	**$2,749**	**$2,803**
Regulated O&M Efficiency Ratio (a)/(b)	**44.2%**	**40.7%**	**36.7%**	**34.9%**	**34.5%**

*Calculation assumes purchased water revenues approximate purchased water expenses.

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Closed and Pending Acquisitions as of July 31, 2017

Closed Acquisitions (YTD ended July 31, 2017)				
State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	1,764	-	1,764
Iowa	1	718	-	718
Illinois	2	700	-	700
Missouri	2	500	395	895
New Jersey	1	11,212	-	11,212
New York	5	360	-	360
Total	**13**	**15,254**	**395**	**15,649**

Pending Acquisitions as of July 31, 2017				
State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	5,302	-	5,302
Illinois	6	2,448	2,426	4,874
Indiana *	1	1,300	-	1,300
Pennsylvania	1	-	22,000	22,000
Missouri	4	103	93	196
West Virginia	1	215	-	215
Total	**15**	**9,368**	**24,519**	**33,887**