American Water Q3 2017 Earnings Conference Call

November 2, 2017

AMERICAN WATER

NYSE: AWK

Forward-Looking Statements

Ed Vallejo
Vice President Investor Relations

November 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,” “propose,” “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 preliminarily approved global class action settlement related to this chemical spill; weather conditions and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, 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, including the disclosure of sensitive or confidential information contained therein, 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.

Today's Speakers

Susan Story
President and
Chief Executive Officer

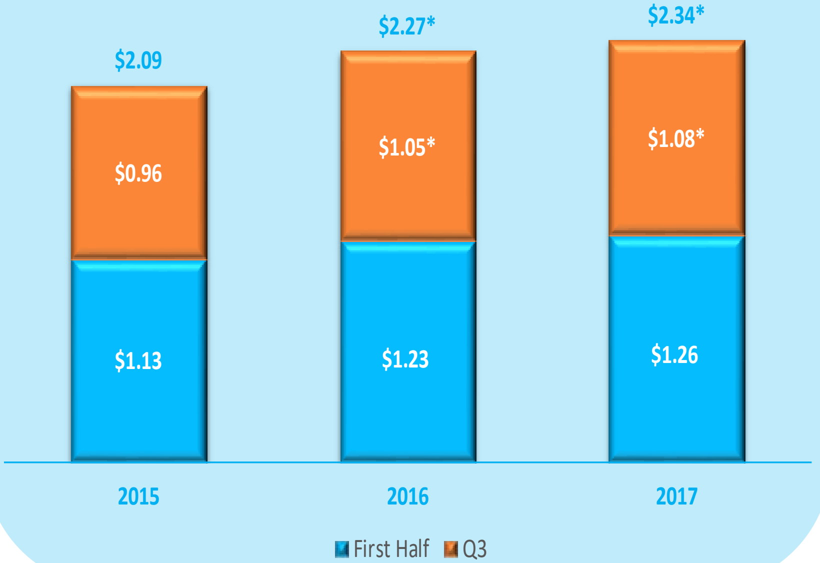
Walter Lynch
Chief Operating Officer

Linda Sullivan
Chief Financial Officer

Overview of Year to Date Financial Results - Narrowing 2017 EPS Guidance

- ✓ Continue to execute our core strategies
- ✓ Narrowing 2017 EPS Guidance to a range of $3.00 to $3.06 on an adjusted basis*

Adjusted Earnings Per Share*



Non-GAAP measure: please see reconciliation table in appendix. The amounts may not sum due to rounding

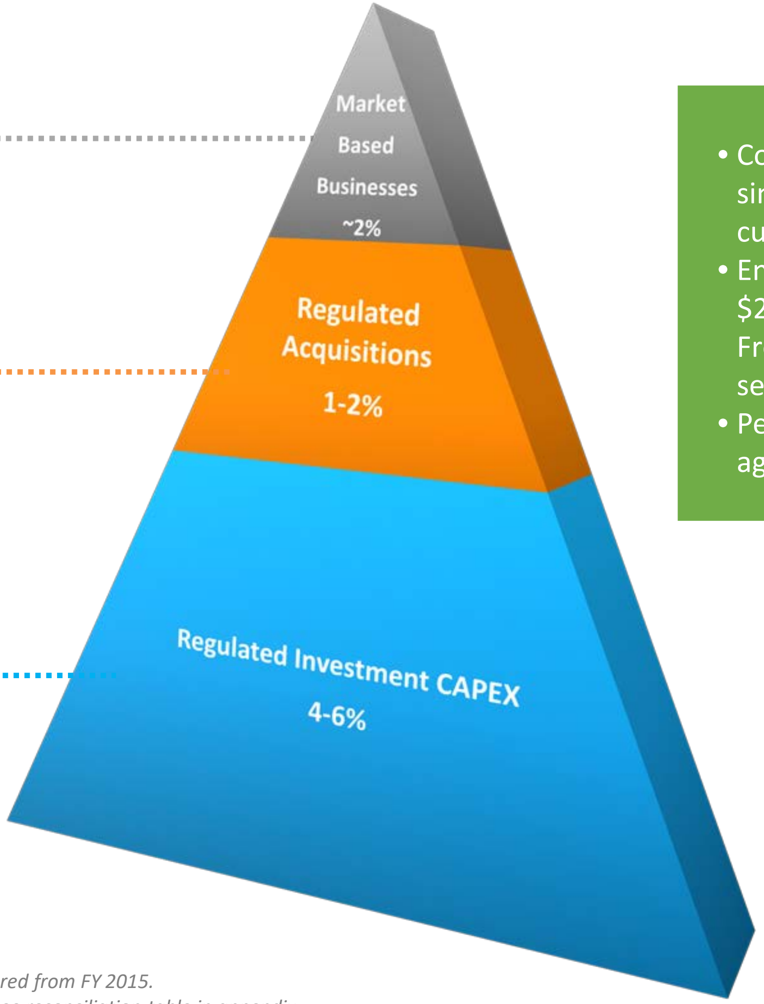
Our Regulated Business Remains the Foundation of our Long Term 7 – 10% EPS CAGR Growth Strategy

2017 - 2021 Plan

2017 Market-based Businesses
- Military Services Group awarded Wright-Patterson Air Force Base contract
- Homeowner Services growth through customer additions and price increases
- Keystone projected to be accretive for the year

2017 Regulated Acquisitions (thru October)
- Approximately 16,000 customers from closed acquisitions
- Approximately 45,000 customers represented by pending acquisitions

2017 Regulated Investment (thru September)
- $1.0 billion capital investment for regulated infrastructure
- Organic growth of approximately 10,400 customers
- O&M efficiency for Last Twelve Months of 34.2%*



Other Accomplishments
- Completed largest debt financing since IPO – driving long-term customer savings
- Entered insurance settlement for $22 million benefit related to the Freedom Industries chemical spill settlement
- Pennsylvania proposed settlement agreement (subject to approvals)

Note: Growth triangle reflects 2017 – 2021 EPS CAGR goal of 7-10% anchored from FY 2015.
**For 12-months ended September 30, 2017. Non-GAAP measure: please see reconciliation table in appendix.*

November 2017

The Regulated Businesses

Walter Lynch
Chief Operating Officer

November 2017

Third Quarter Regulated Businesses Update

Pennsylvania American Water

Pennsylvania Rate Case

- Proposed settlement agreement (subject to approvals) for additional annualized revenues of $62 million
- Capital Investment of ~$1.3 billion, including DSIC, since the company's last rate filing in 2013

New Jersey American Water

New Jersey Rate Case

- Capital Investment of ~$868 million, including DSIC, since the company's last rate filing in 2015
- Requested annualized revenue increase approximately $129 million, excludes DSIC
- Requested ROE is 10.8%

Missouri American Water

Missouri Rate Case

- Capital Investment of ~$493 million, including ISRS, since the company's last rate filing in 2015
- Requested annualized revenue increase approximately $84 million, excludes ISRS
- Requested ROE of 10.8%

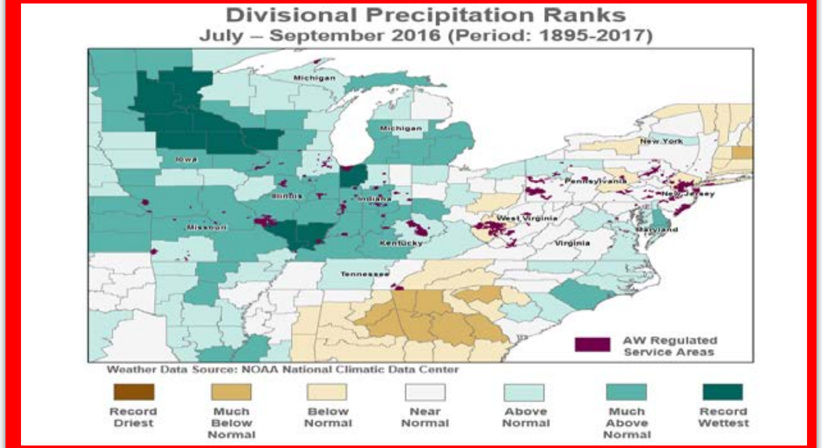
California American Water

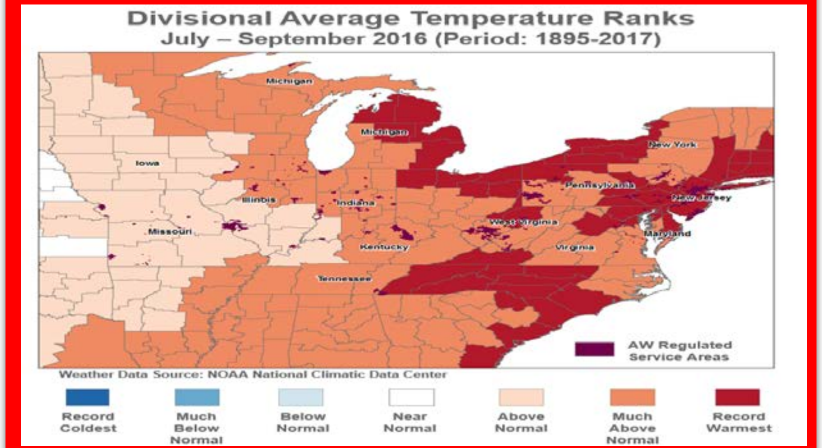
Sonoma County Fires

- Destroyed estimated 600 homes in the Larkfield service area

2016 to 2017 Weather Variability

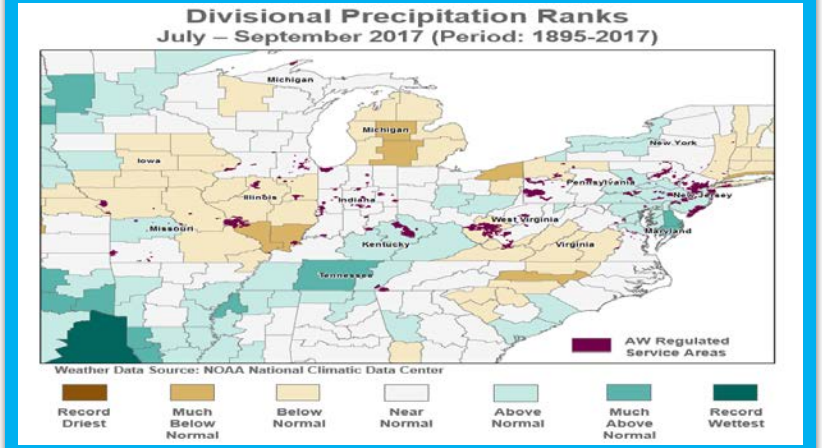
2016 (Warm & Dry in the Northeast)

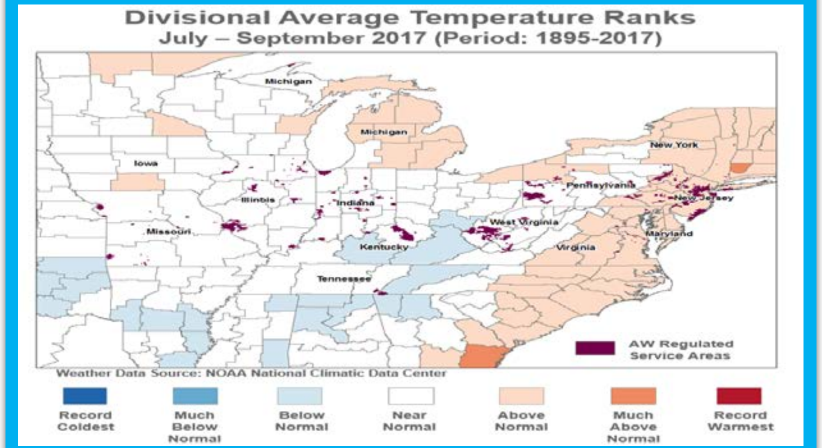




Quarterly EPS Impact
Q2: $0.02 Q3: $0.02

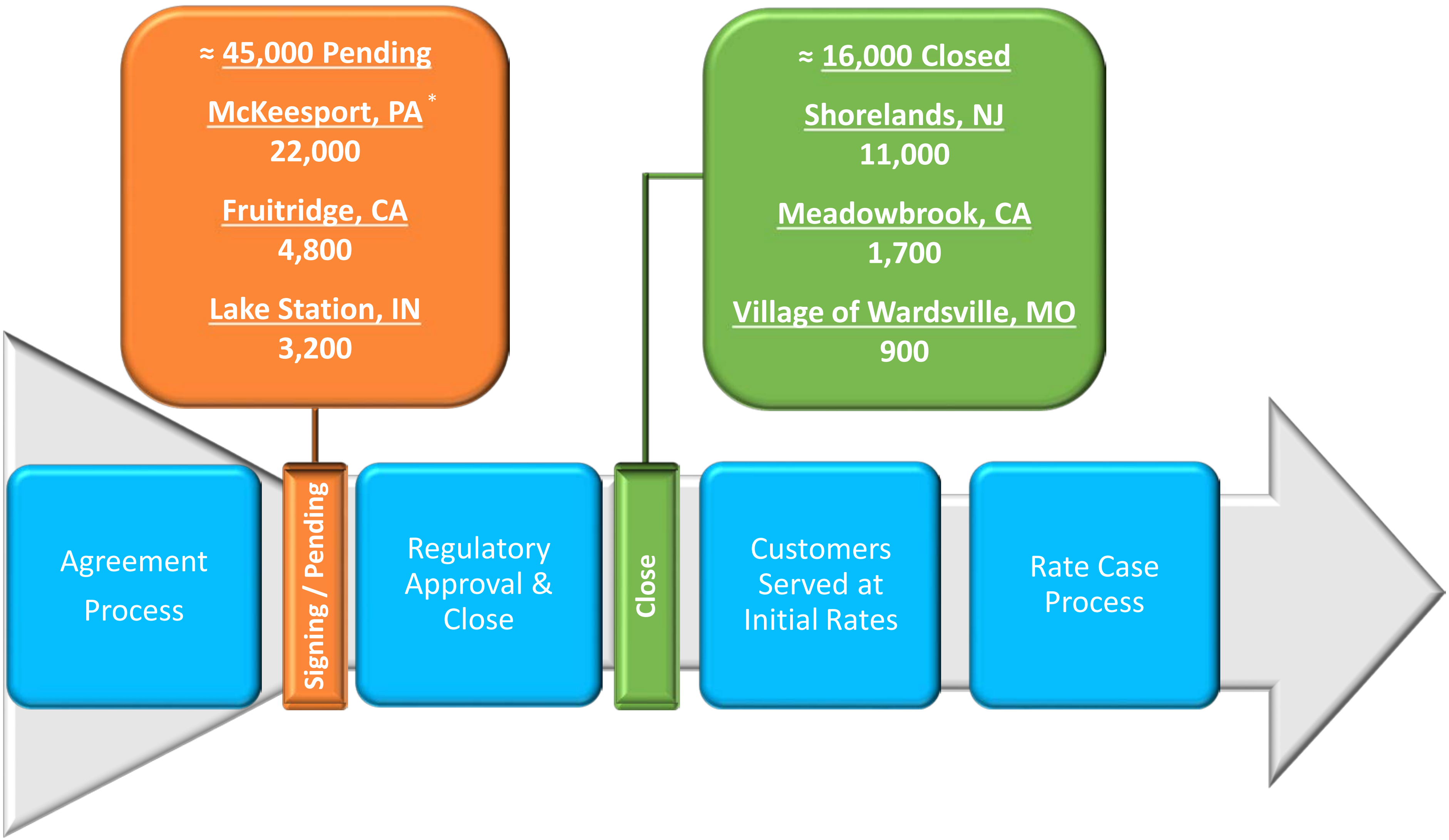
2017 (Normal)





Quarterly EPS Impact
Q2: $0.00 Q3: $0.00

Regulated Acquisitions update



**Represents 22,000 customers, due to bulk contracts. Connections to the system will be approximately 11,000.*

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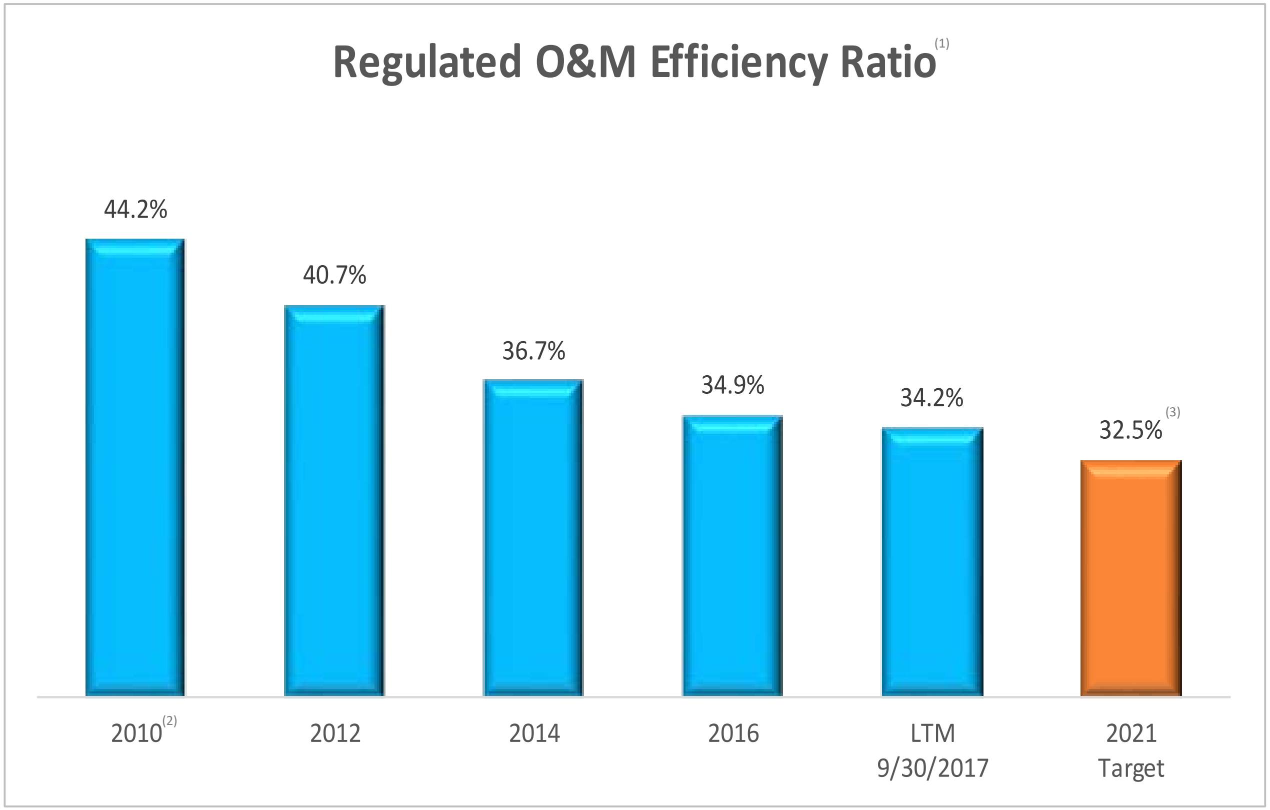
O&M Efficiency continues to improve towards a 32.5% target by 2021



Plant Optimization

Cellular leak detection

(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
(2)Does not include the impact from discontinued operations resulting from the sale of the Company's Terratec business in 2014
(3)A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort

Financial Results

Linda Sullivan
Chief Financial Officer

Third Quarter Financial Results

EPS Contribution by Business

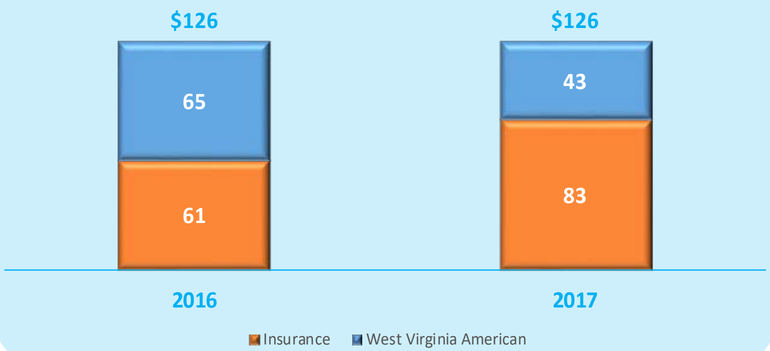
3Q 2017

	Q3 2017	Q3 2016	Change
Regulated*	$1.12	$1.07	$0.05
Market Based	$0.07	$0.04	$0.03
Parent Interest & Other*	($0.11)	($0.06)	($0.05)
Total Adjusted EPS*	**$1.08**	**$1.05**	**$0.03**
Freedom Industries Settlement Activities	$0.07	($0.22)	
Early Debt Extinguishment at the Parent Company	($0.02)	-	
Total GAAP EPS	**$1.13**	**$0.83**	**$0.30**

Non-GAAP adjustments

($ in millions)

Freedom Industries Proposed Settlement Contributions**

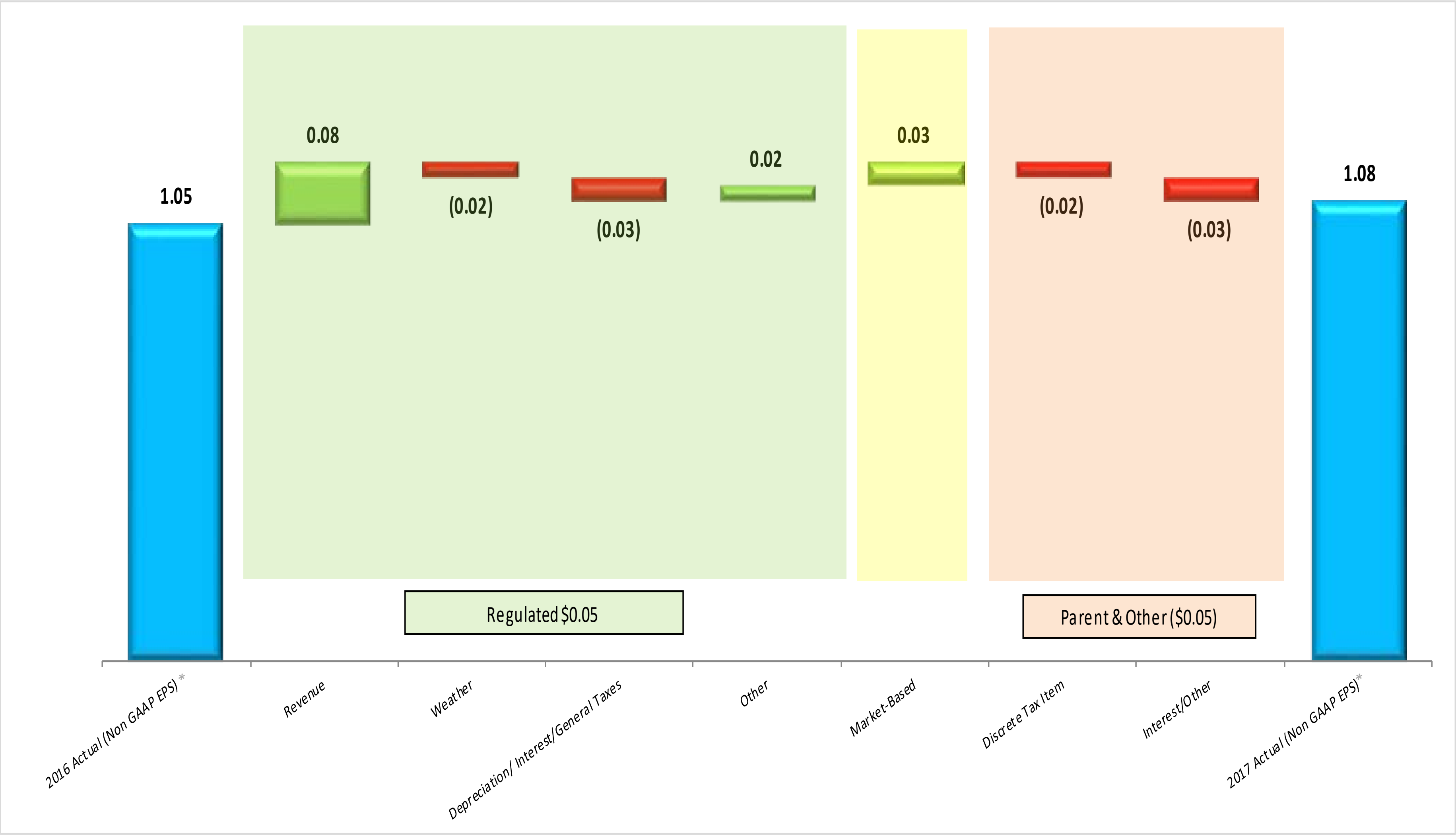


Early Debt Extinguishment

Make Whole Premium
(Associated with early redemption of higher rate debt maturing in 2018 & 2021)

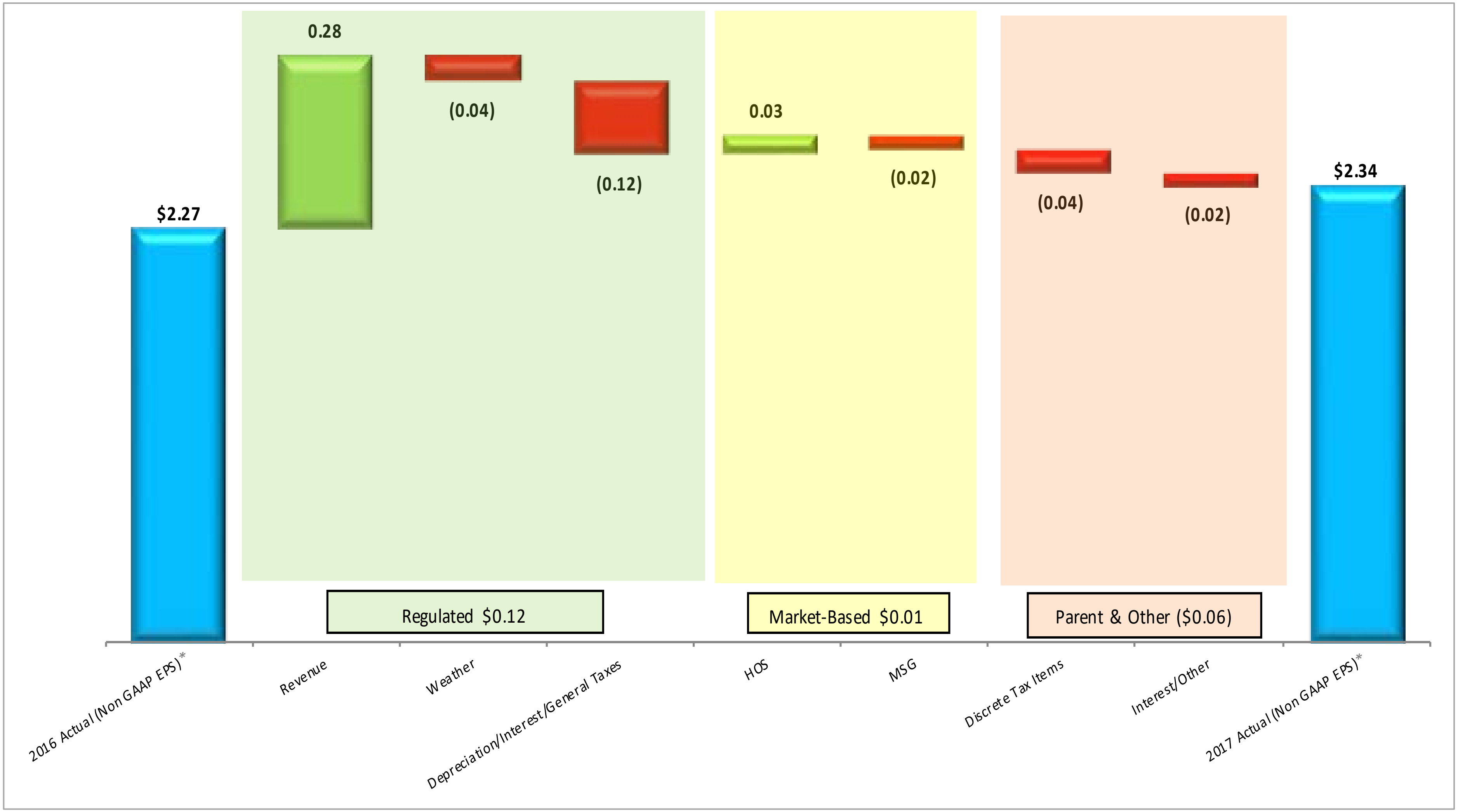
**Non-GAAP measure. Please see reconciliation table in appendix*
*** The $126 excludes Eastman Chemical Company. If included the total settlement amount is $151*

Third Quarter Adjusted EPS* Detail by Businesses



*Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix

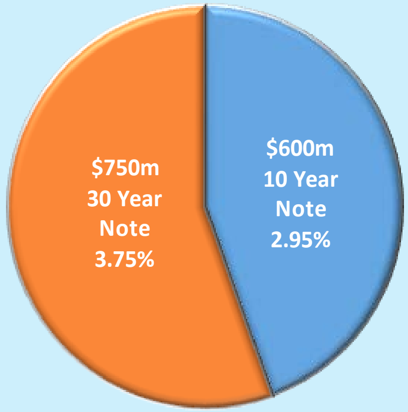
Year to Date Adjusted EPS* Detail by Businesses



*Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix

American Water's Largest Financing Since IPO Helps to Lower Customer Cost and De-risk Near Term Financing Needs

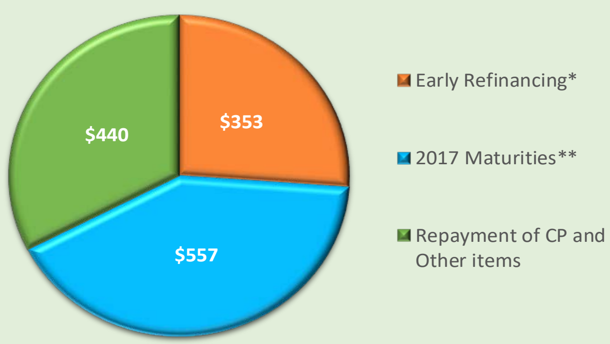
Deal Specifics



Deal Outcomes

- 48 basis point reduction in our embedded cost of debt, largely for our customers
- Including the 2017 maturities, $876 million has been pushed out past FY 2022

Uses of Funds**
(in millions)



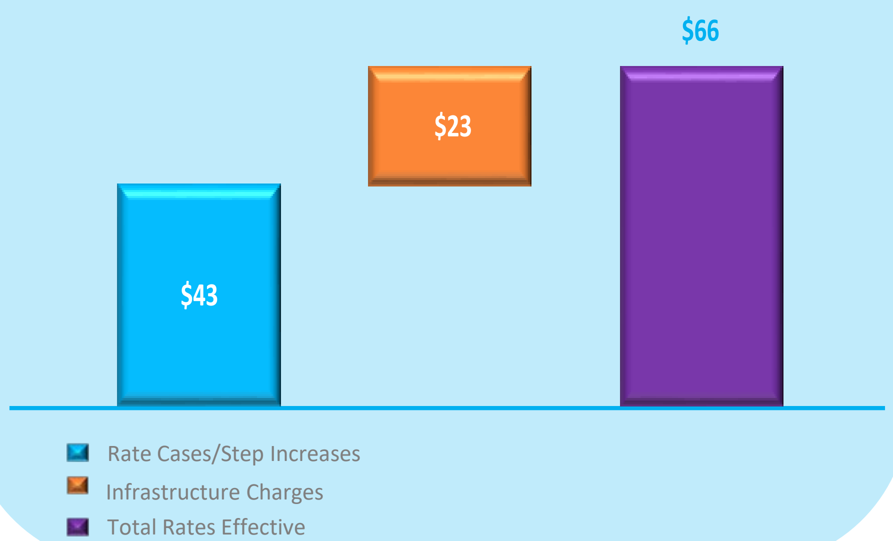
** Includes $34 million Make Whole Premium*
*** Includes $524 million of use of proceeds from Debt Offering and $33 million of Long Term Debt to be repaid in November 2017*

November 2017

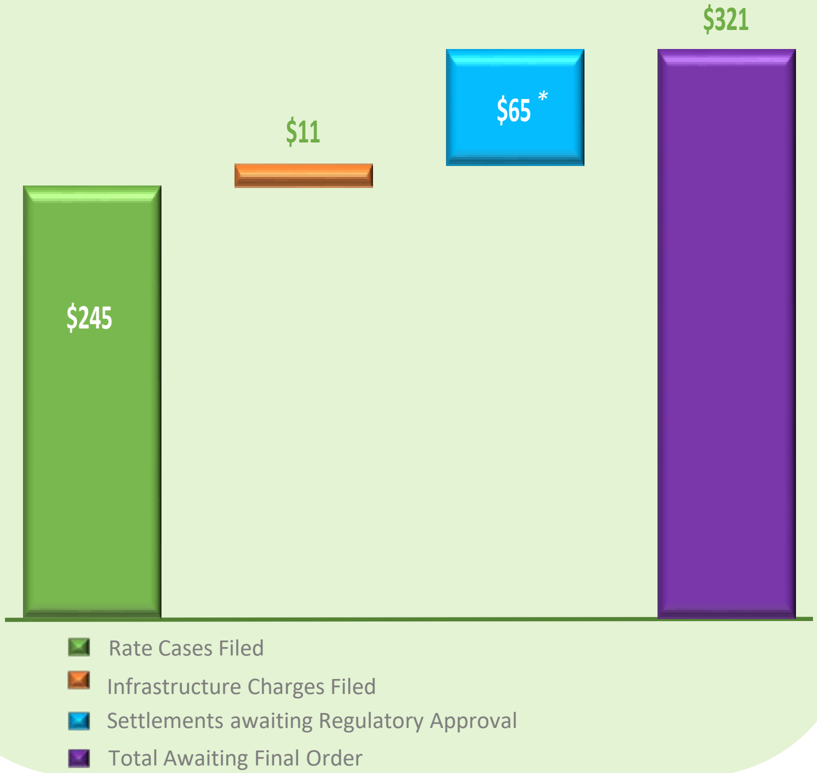
Rate Filings Completed and Awaiting Final Order

2017 Annualized Revenue Increase for Rates Effective

Since January 1, 2017



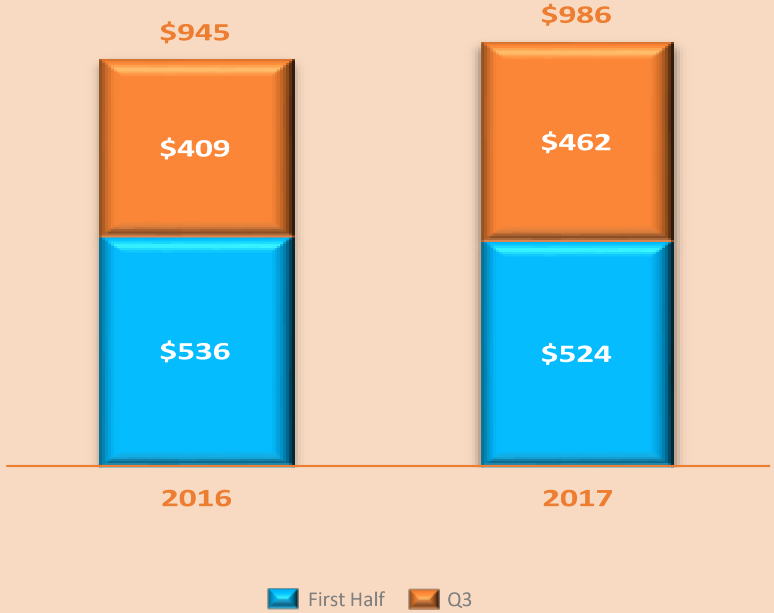
Requested Revenue for Rate Cases Awaiting Final Order



**Includes the Pennsylvania rate case proposed settlement of $62 million, subject to approvals*

Strong Cash Flow and Fourth Quarter Dividend

Strong Cash Flow from Operations
(in millions)



Quarterly Dividends

- ***Announced $0.415 quarterly cash dividend per common share payable on Dec 1, 2017***
- ***50%-60% target payout ratio***

November 2017

American Water narrows 2017 Adjusted EPS Guidance Range

$3.00 ⟵ Adjusted EPS Guidance* ⟶ $3.06

Guidance Excludes:

- **Insurance settlement with one of our general liability insurance carriers of $0.07, related to the Freedom Industries matter**
- **Parent Company early debt extinguishment charge of ($0.02)**

**Adjusted EPS Guidance is a non-GAAP measure. Please see reconciliation table in appendix.*

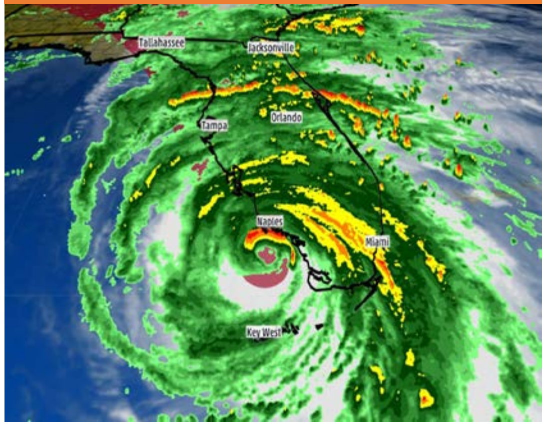
Wrap Up

Susan Story
President and Chief Executive Officer

American Water is there when you need us

Hurricane Harvey

Hurricane Irma



California Fires

Q & A Session

November 2017

Investor Relations Contacts:

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Ralph Jedlicka
Director – Investor Relations
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Upcoming Events:

- **Dec 11th 9 – 10:30am: 2018 Earnings Guidance Conference Call**

Appendix

AMERICAN WATER
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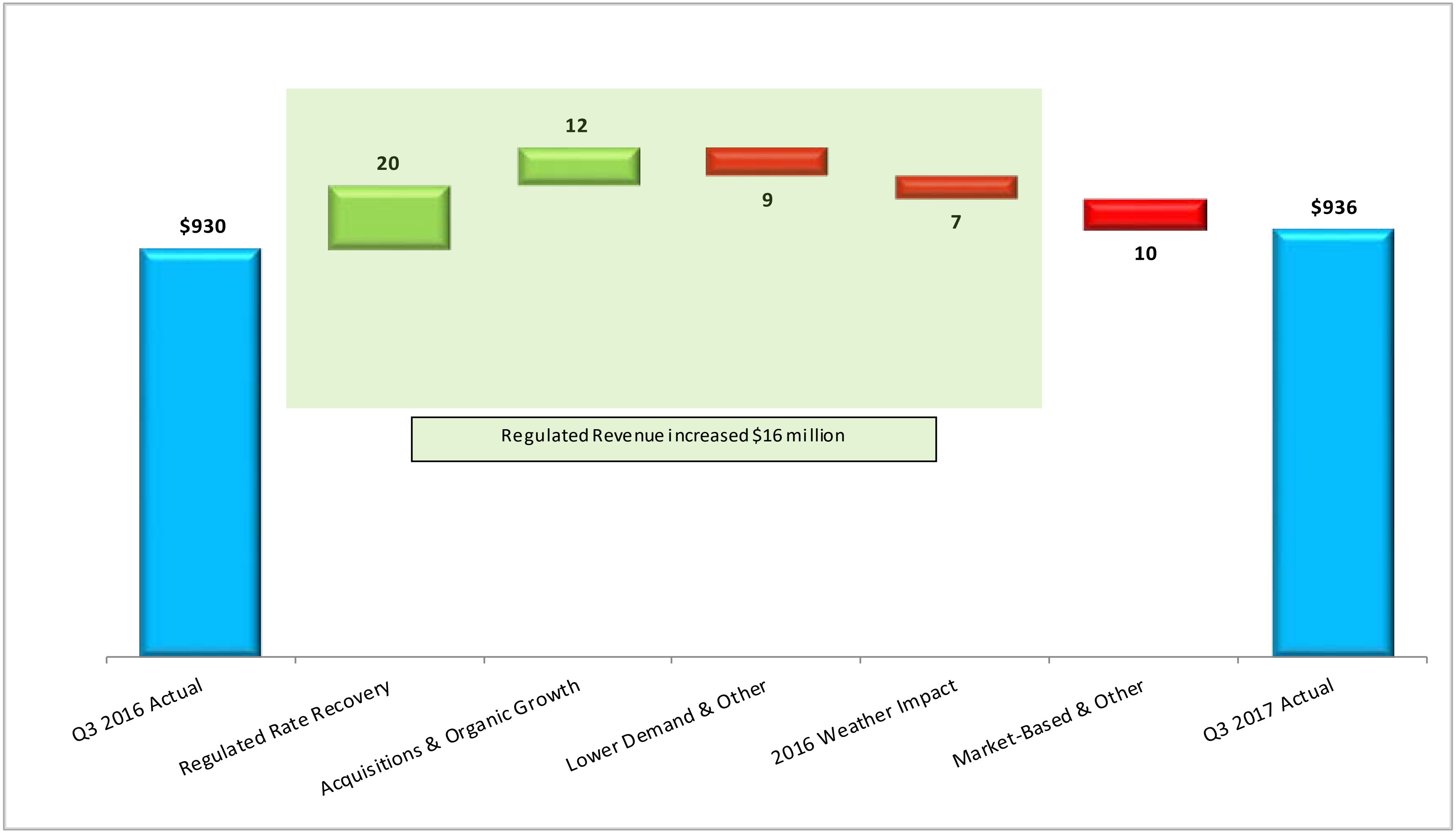
2017 Third Quarter Revenue Breakdown
($ in millions)



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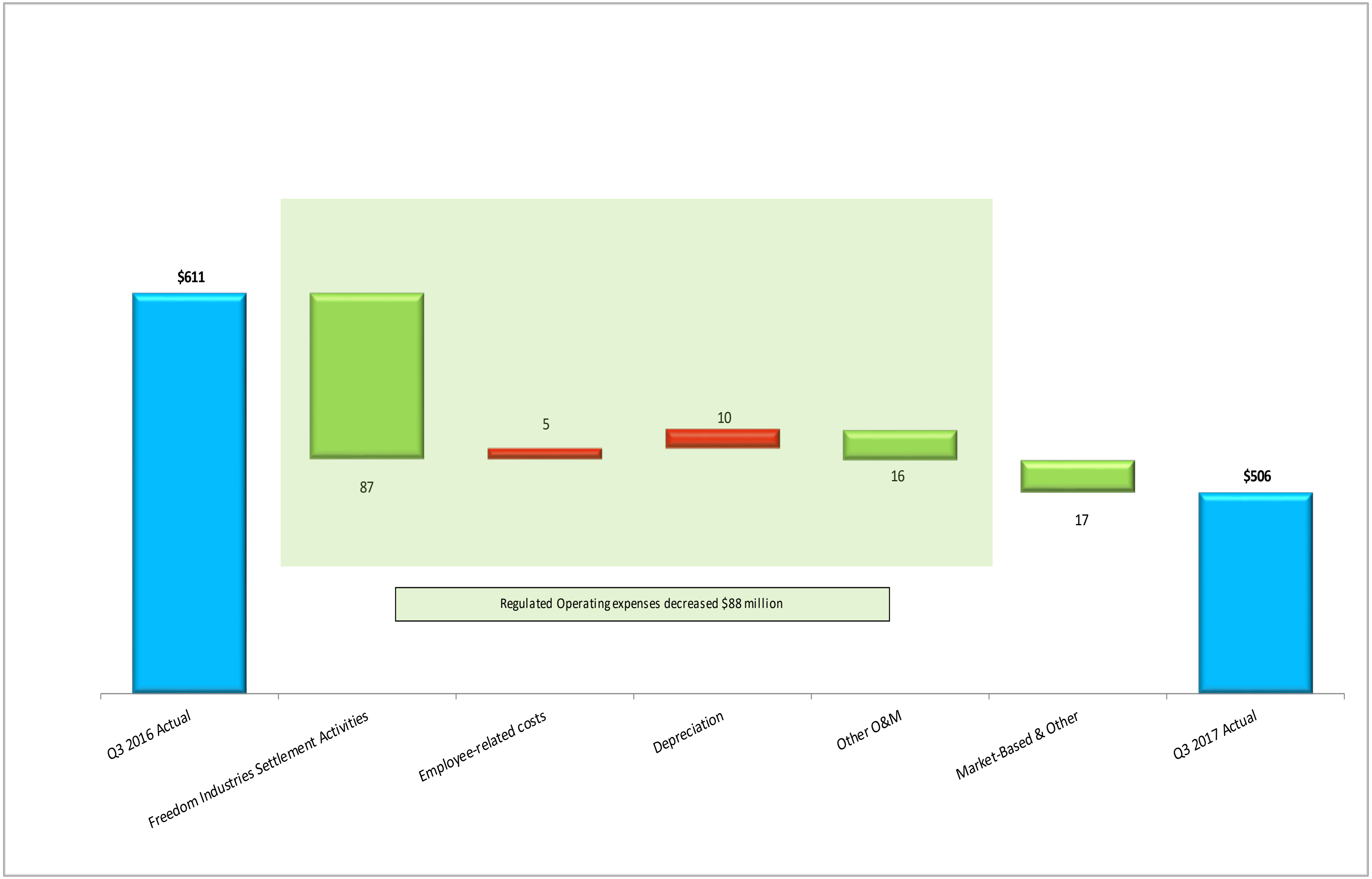
2017 Third Quarter Operating Expense Breakdown

($ in millions)



November 2017

Rates Effective since January 1, 2017

	Date Effective	Annualized Revenue Increases Effective Since January 1, 2017	
Step Increases			
California	1/13/2017-2/2/2017	$5	
		$5	
Infrastructure Charges			
West Virginia (DSIC)	1/1/2017	$2	
Pennsylvania (DSIC - W)	1/1/2017	$1	
Tennessee	3/14/2017	$2	
Indiana	3/22/2017	$8	
New Jersey (DSIC) WR15060724	6/1/2017	$10	
		$23	
Rate Cases			
Illinois	1/1/2017	$25	(a)
Iowa	3/27/2017	$4	(b)
New York	6/1/2017	$4	(c)
Virginia	4/1/2016	$5	(d)
		$38	
	Total	**$66**	

(a) The revenue amount received includes $25 million for water and wastewater operations, these amounts exclude the $10 million in QIP revenue previously allowed for a total approval of $35 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 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 million with increases of $3, $5, $5 and $8 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 Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
California	Case No. A.16-07-002	7/1/2016	$32	(a)	NA	$494
Missouri	Case No. WR-2017-0285	6/30/2017	$84	(b)	10.80%	$1,345
New Jersey	Case No. WR-17090985	9/15/2017	$129		10.80%	$3,025
			$245			**$4,864**
Infrastructure Charges Filed						
Missouri (ISRS)		8/29/2017	$6	(c)		$47
New Jersey (DSIC)		10/13/2017	$4			$29
Virgina (WWISC)		10/31/2017	$1			$9
			$11			**$85**
Rate Case and Infrastructue Settlements awaiting Regulatory Approval						
Pennsylvania	Docket No. R-2017-2595853	4/28/2017	$62	(d)		
West Virginia (DSIC)		6/15/2017	$3	(e)		
			$65			
		Total Awaiting Final Order:	**$321**			

(a) For this final application, Test Year 2018 revenue requirement request is $35 million. This excludes the step rate and attrition rate increase for 2019 and 2020 of $9 million and $8 million, respectively. The total revenue requirement request for the three year rate case cycle is $51 million. On October 10, 2016, the Company filed an update to our final general rate case application adjusting the request to $32 million of additional annualized revenues. It also includes increases in the escalation year 2019 and the attrition year 2020 of $9 million and $8 million, respectively.

(b) The requested increase is $89 million, which includes the original $5 million from the pending ISRS. This amount is a requested increase of $69 million over the prior authorized revenues, which is the difference between the filed for $369 million revenue requirement and the previously authorized $295 million revenue requirement, less original $5 million of pending ISRS.

(c) Missouri ISRS originally filed on May 15, 2017 was refiled on August 29, 2017 due to legislative changes. The revenue requirement is now $6 million on $47 million of rate base, instead of $5 million on $46 million of rate base, due to a normal true up process.

(d) On October 16, 2017, a proposed settlement agreement was entered in to by our Pennsylvania subsidiary and the other parties to the proceeding, providing for additional annualized water and wastewater revenues of $62 million, subject to approval by the administrative law judges assigned to the case and the PaPUC.

(e) On October 11, 2017, our West Virginia subsidiary filed a settlement agreement with the Public Service Commission (PSC) of West Virginia, whereby all parties to the proceeding have agreed to an infrastructure surcharge that would generate $3 million in additional annualized revenues, pending approval by the PSC.

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.

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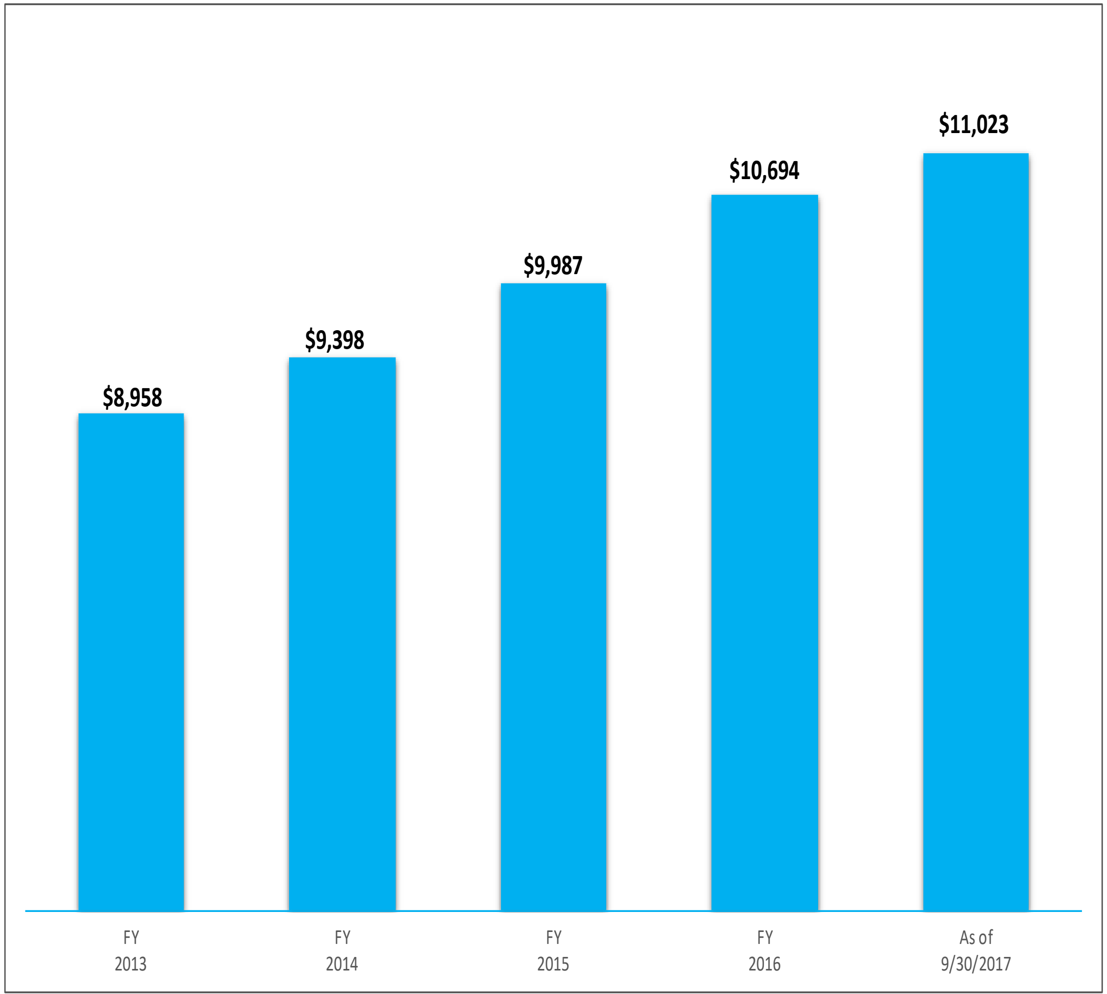
Rate Base Calculation [1]



Estimated Rate Base[1]		
($ in millions)		As of 9/30/2017
Net Utility Plant		$15,451
Less		
Advances for Construction		279
CIAC – Contributions in Aid of Construction		1,264
Net Deferred income taxes		2,862
Deferred investment tax credits		23
	Sub Total	$4,428
Rate Base	**TOTAL**	**$11,023**

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

Reconciliation Tables: Earnings per Share & Guidance Range

Earnings per Share	Full Year 2016	Full Year 2015	For the Three Months Ended September 30, 2017	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	$ 2.62	$ 2.64	$ 1.13	$ 0.83	$ 2.39	$ 2.05
Non-GAAP adjustments:						
Impact of Freedom Industries settlement activities	0.36	-	(0.12)	0.36	(0.12)	0.36
Income tax impact	(0.14)	-	0.05	(0.14)	0.05	(0.14)
Net non-GAAP adjustment	0.22	-	(0.07)	0.22	(0.07)	0.22
Early debt extinguishment at the parent company	-	-	0.03	-	0.03	-
Income tax impact	-	-	(0.01)	-	(0.01)	-
Net non-GAAP adjustment	-	-	0.02	-	0.02	-
Total net non-GAAP adjustments	0.22	-	(0.05)	0.22	(0.05)	0.22
Adjusted diluted earnings per share (non-GAAP)	**$ 2.84**	**$ 2.64**	**$ 1.08**	**$ 1.05**	**$ 2.34**	**$ 2.27**

2017 Adjusted EPS Guidance Range	Low End	High End
Per Diluted Share:		
Narrowed earnings guidance range (GAAP)	**$ 3.05**	**$ 3.11**
Non-GAAP adjustments:		
Impact of Freedom Industries settlement activities	(0.12)	(0.12)
Income tax impact	0.05	0.05
Net non-GAAP adjustment	(0.07)	(0.07)
Early debt extinguishment at the parent company	0.03	0.03
Income tax impact	(0.01)	(0.01)
Net non-GAAP adjustment	0.02	0.02
Total net non-GAAP adjustments	$ (0.05)	$ (0.05)
Narrowed adjusted earnings guidance range (non-GAAP)	**$ 3.00**	**$ 3.06**

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Reconciliation Tables: By Businesses Earnings Per Share*

Regulated Businesses Earnings per Share	Full Year		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2017	2016	2017	2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	$ 2.64	$ 2.63	$ 1.19	$ 0.85	$ 2.50	$ 2.09
Non-GAAP adjustment:						
Impact of Freedom Industries settlement activities	0.36	-	(0.12)	0.36	(0.12)	0.36
Income tax impact	(0.14)	-	0.05	(0.14)	0.05	(0.14)
Net non-GAAP adjustment	0.22	-	(0.07)	0.22	(0.07)	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 2.86	$ 2.63	$ 1.12	$ 1.07	$ 2.43	$ 2.31

Parent Earnings per Share	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ (0.13)	$ (0.06)	$ (0.27)	$ (0.19)
Non-GAAP adjustment:				
Early debt extinguishment at the parent company	0.03	-	0.03	-
Income tax impact	(0.01)	-	(0.01)	-
Net non-GAAP adjustment	0.02	-	0.02	-
Adjusted diluted earnings per share (non-GAAP)	$ (0.11)	$ (0.06)	$ (0.25)	$ (0.19)

**Amounts may not calculate due to rounding*

Reconciliation Table: Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) ***($ in millions)***	**FY 2010** [(1)]	**FY 2012**	**FY 2014**	**FY 2016**	**LTM 9/30/2017**
Total Operations and Maintenance Expense	$1,291	$1,330	$1,350	$1,504	$1,383
Less:					
Operations and Maintenance Expense – Market Based Operations	257	256	289	372	334
Operations and Maintenance Expense – Other	(61)	(56)	(51)	(44)	(46)
Total Regulated Operations and Maintenance Expense	$1,095	$1,130	$1,112	$1,176	$1,095
Less:					
Regulated Purchased Water Expense	100	110	122	122	124
Allocation of non-O&M costs to Regulated O&M expense	29	35	39	30	29
Freedom Industries Chemical Spill in West Virginia	-	-	10	-	-
Impact of Freedom Industries settlement activities	-	-	-	65	(22)
Estimated impact of weather	-	5	(2)	-	-
Adjusted Regulated Operations and Maintenance Expense (a)	**$966**	**$980**	**$943**	**$959**	**$964**
Total Operating Revenues	$2,555	$2,854	$3,011	$3,302	$3,338
Less:					
Operating Revenues – Market Based Operations	295	307	355	451	419
Operating Revenues – Other	(26)	(17)	(18)	(20)	(23)
Total Regulated Operating Revenues	$2,286	$2,564	$2,674	$2,871	$2,942
Less:					
Regulated Purchased Water expense*	100	110	122	122	124
Plus:					
Freedom Industries Chemical Spill in West Virginia	-	-	1	-	-
Estimated impact of weather	-	(47)	17	-	-
Adjusted Regulated operating revenues (b)	**$2,186**	**$2,407**	**$2,570**	**$2,749**	**$2,818**
Regulated O&M Efficiency Ratio (a)/(b)	**44.2%**	**40.7%**	**36.7%**	**34.9%**	**34.2%**

**Calculation assumes purchased water revenues approximate purchased water expenses*

[(1)]*Does not include the impact from discontinued operations resulting from the sale of the Company's Terratec business in 2014*

Closed and Pending Acquisitions as of October 31, 2017

Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	1,764	-	1,764
Iowa	1	718	-	718
Illinois	3	700	120	820
Missouri	2	500	395	895
New Jersey	1	11,212	-	11,212
New York	4	360	-	360
West Virginia	1	215	-	215
Total	**14**	**15,469**	**515**	**15,984**

Pending Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	3	6,802	-	6,802
Illinois	5	2,448	2,306	4,754
Indiana	3	7,465	-	7,465
Kentucky	1	610	-	610
Pennsylvania*	3	-	25,062	25,062
Missouri	5	176	231	407
Total	**20**	**17,501**	**27,599**	**45,100**

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