2017 Fourth Quarter and Year-End Earnings Conference Call

AMERICAN WATER

NYSE: AWK

Forward-Looking Statements

Ed Vallejo

Vice President, Investor Relations

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2018 earnings guidance, projected long-term earnings and dividend growth, our projected operation & maintenance efficiency ratio, 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 our 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 our Annual Report on Form 10-K for the year ended Dec. 31, 2017, 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 customer rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill; our ability to appropriately maintain current infrastructure, including our operational and information technology (“IT”) systems, and manage the expansion of our business; exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers; our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of our operations; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market; 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 us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of our service territories; the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us; difficulty or inability to obtain insurance, the inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained; the incurrence of impairment charges related to our goodwill or other assets; labor actions, including work stoppages and strikes; the ability to retain and attract qualified employees; civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new, and changes to existing, accounting 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 our 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 presentation. We do 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 our 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.

Strategy Overview

Susan Story

President and Chief Executive Officer

Why Invest in American Water

- ✓Decades of investment needed
- ✓Line of sight to $8-$8.6 billion of 5 year capex
- ✓Tax Reform adds headroom to reduce customer bill impact
- ✓Fragmented national water and wastewater landscape
- ✓Capital-light MBB leverages core competencies, generates cash

- ✓Five year TSR of 275%
- ✓Affirm 7-10%* Long Term EPS growth 2018-2022
- ✓2018 GAAP EPS guidance range of $3.22-$3.32, midpoint is 8% growth over strong 2017 year
- ✓"A" credit rating provides optionality for optimization of balance sheet
- ✓Continuing to be more efficient in both O&M and capital costs

- ✓Multi-decade capital deployment needed
- ✓Hundreds of water projects per year reducing risk of single projects
- ✓Multiple state regulatory jurisdictions reduce both weather and regulatory risks
- ✓Market Based Businesses leverage company core competencies

- ✓Five year dividend growth CAGR of 11%
- ✓Guided to 2018-2022 Dividend Growth at top end of 7-10%* EPS growth CAGR
- ✓A leading investment in Environmental, Social Responsibility and Governance factors

** Anchored off of 2016 Adjusted EPS (a non-GAAP measure)*

2017 Results, Tax Reform, 2018 & Long Term Outlook

Linda Sullivan

Chief Financial Officer

Demonstrated Execution of Fourth Quarter & Full Year Adjusted EPS* Results

Q4 Adjusted EPS Results

	Q4 2017	Q4 2016	Change
Total GAAP EPS	**($0.01)**	**$0.57**	**($0.58)**
Tax Reform Adjustment	$0.70	-	$0.70
Total Adjusted EPS*	**$0.69**	**$0.57**	**$0.12**

Full Year Adjusted EPS Results

	Full Year 2017	Full Year 2016	Change
Total GAAP EPS	**$2.38**	**$2.62**	**($0.24)**
Impact of Freedom Industries Settlement Activities	($0.07)	$0.22	$0.15
Early Debt Extinguishment at the Parent Company	$0.02	-	$0.02
Tax Reform Adjustment	$0.70	-	$0.70
Total Adjusted EPS*	**$3.03**	**$2.84**	**$0.19**

Adjusted EPS Contribution By Business Segment

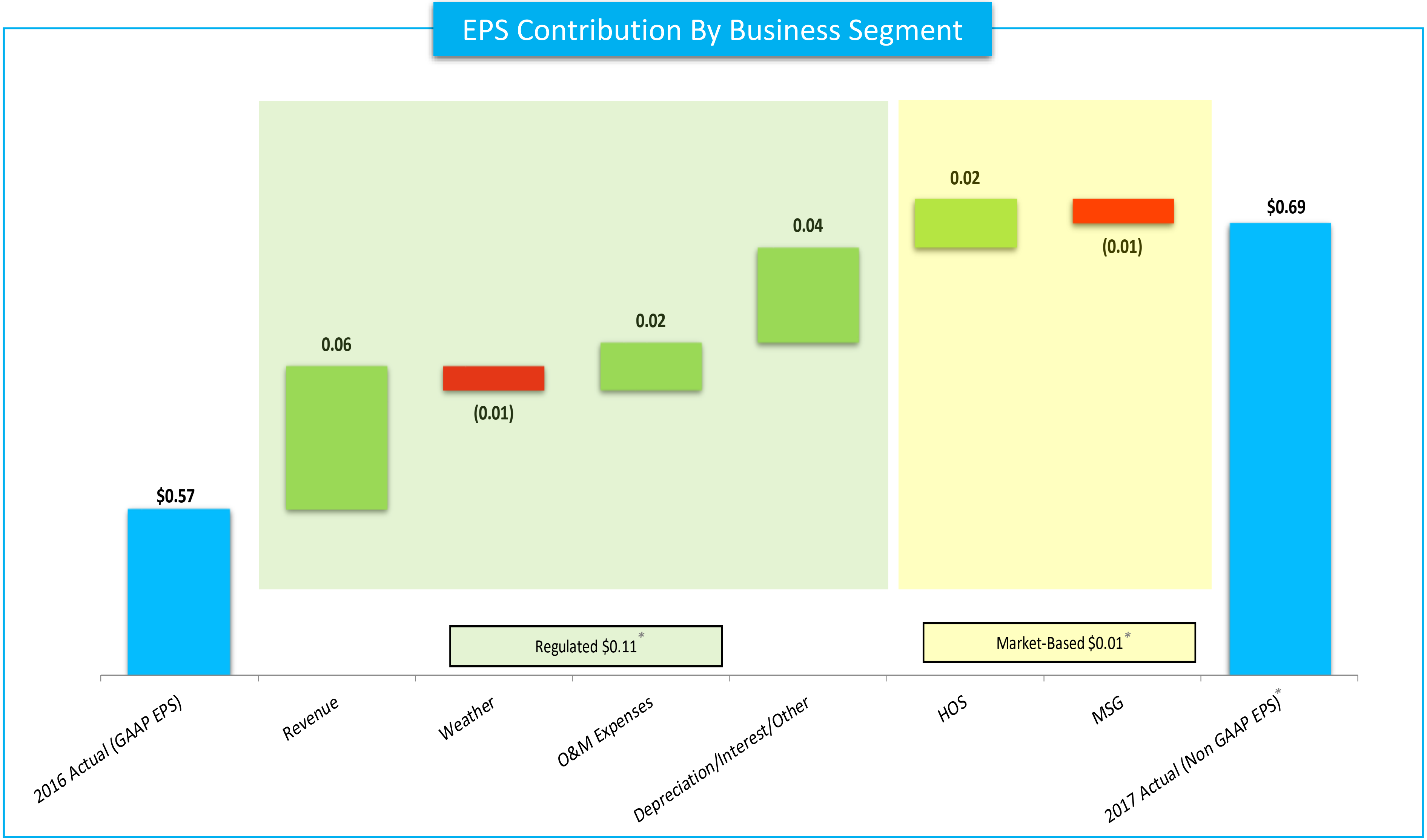
	Q4 2017	Q4 2016	Change
Regulated*	$0.66	$0.55	$0.11
Market Based*	$0.08	$0.07	$0.01
Parent Interest & Other*	($0.05)	($0.05)	-
Total Adjusted EPS*	**$0.69**	**$0.57**	**$0.12**

Adjusted EPS Contribution By Business Segment

	Full Year 2017	Full Year 2016	Change
Regulated*	$3.09	$2.86	$0.23
Market Based*	$0.24	$0.22	$0.02
Parent Interest & Other*	($0.30)	($0.24)	($0.06)
Total Adjusted EPS*	**$3.03**	**$2.84**	**$0.19**

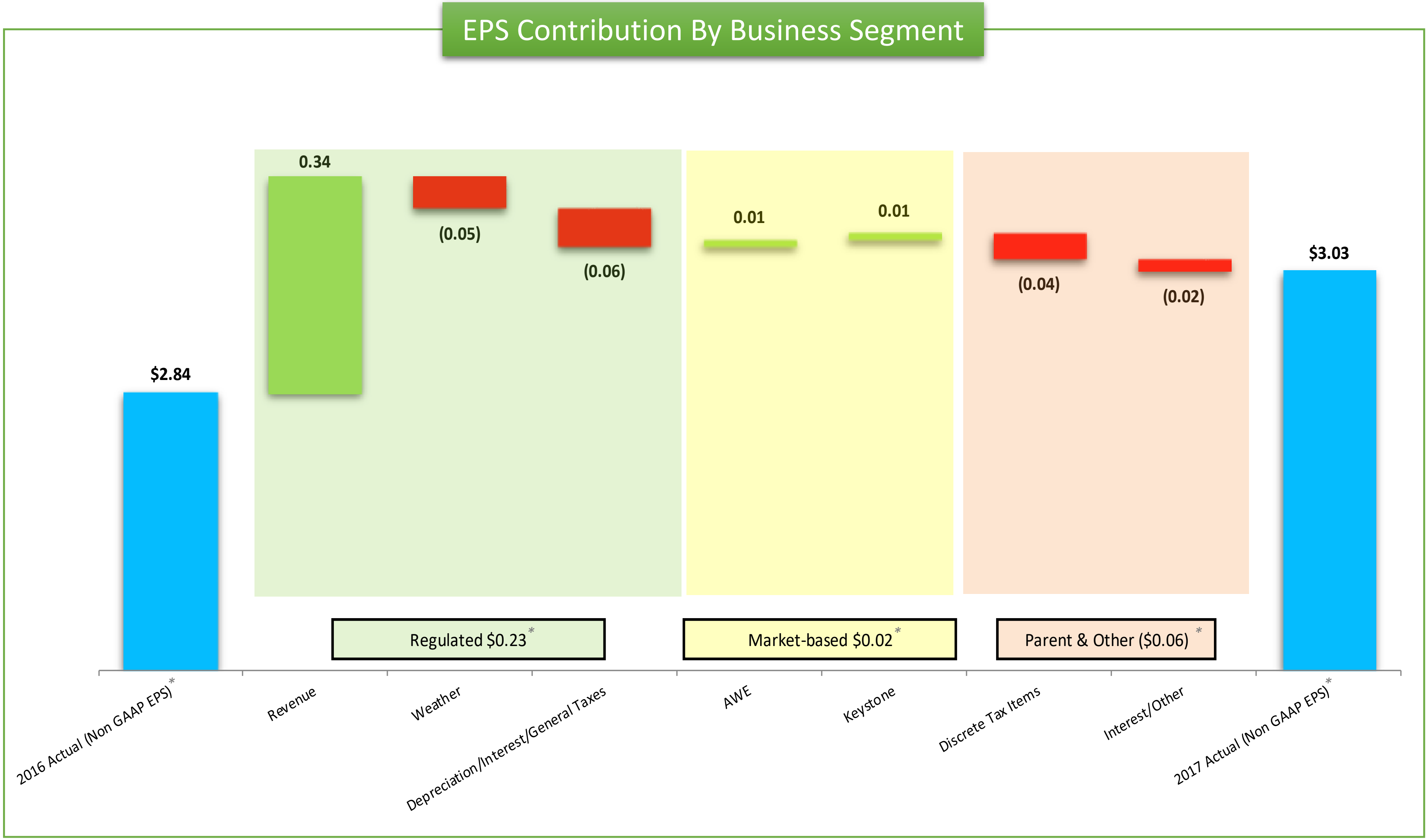
** Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix*

Fourth Quarter 2017 Adjusted EPS* Detail by Businesses



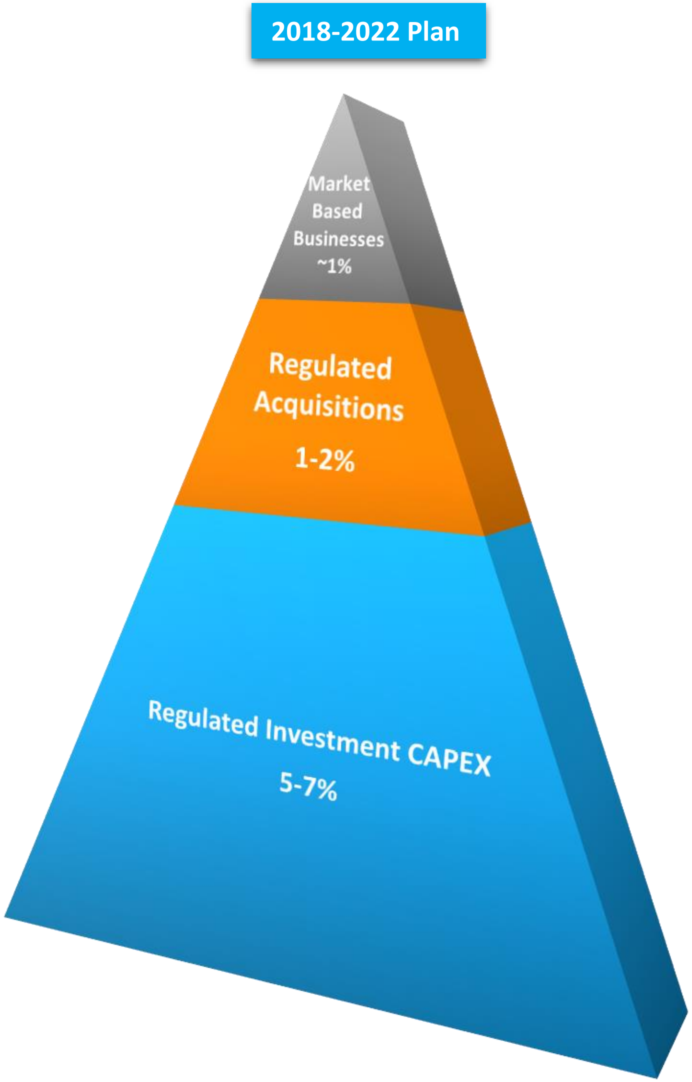
** Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix*

Full Year 2017 Adjusted EPS* Detail by Businesses



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

Continue to deliver 7 – 10%* Long Term EPS Compound Annual Growth Rate with Tax Reform

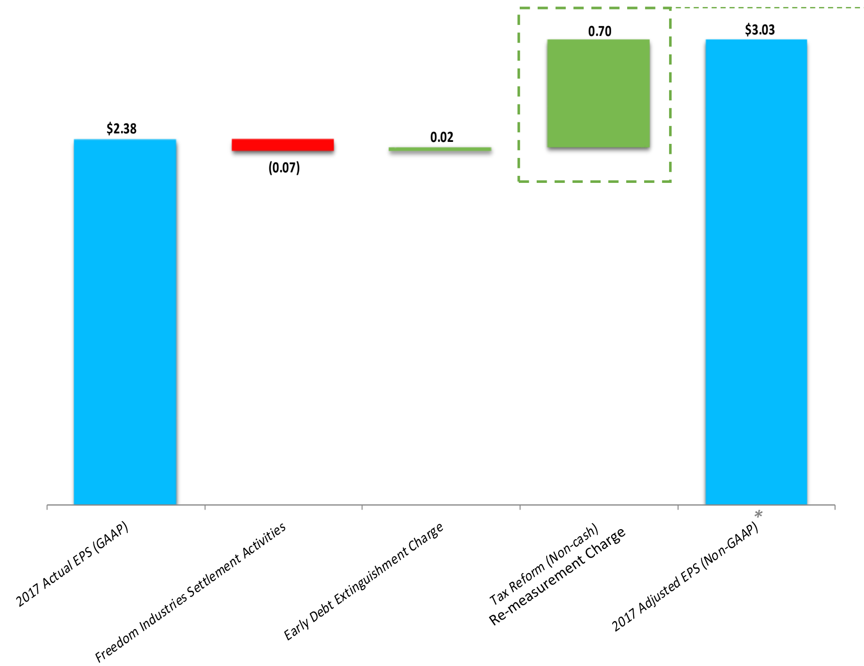


- Affirming **7 – 10%*** five-year Adjusted EPS CAGR
- Tax reform expected to be **accretive** to earnings on a long term basis
  - **Regulated rate base growth** and **Market-Based EPS growth** outpace impact of higher debt from **lower cash flow**
- Affirming our estimated **$8.0 - $8.6 billion** five year capital investment with continued focus on customer affordability
- Continued focus on **improving O&M Efficiency** through technology, supply chain, and cost management
- **Growing our dividend** at high end of the long-term 7 – 10%* EPS growth**
- Affirming our on-going position that **no new equity** will be required under normal operating conditions

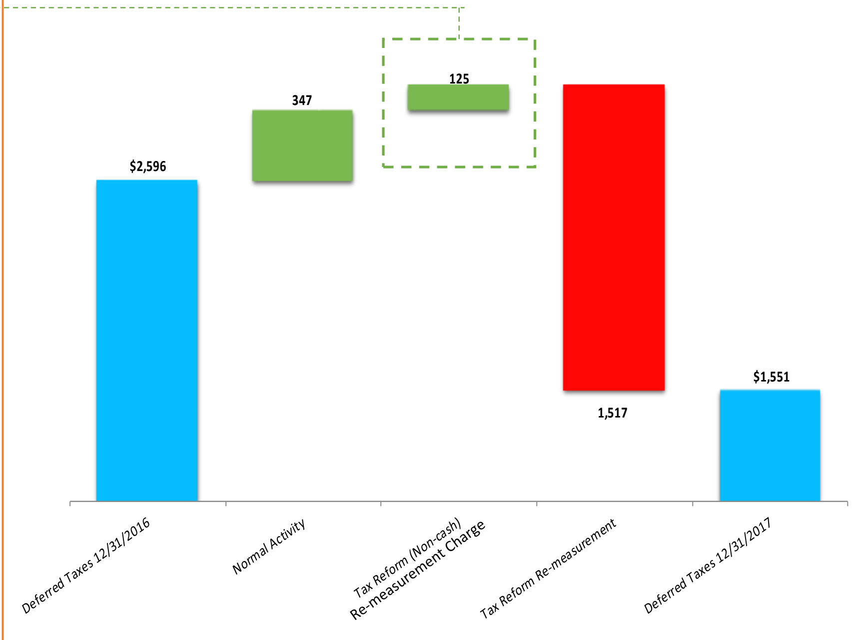
** Anchored off of 2016 Adjusted EPS (a non-GAAP measure)*
*** Subject to board approval*

Impacts of Tax Reform on 2017 – Earnings and Balance Sheet

Full Year
2017 Earnings Per Share



Balance Sheet
Deferred Taxes**



** Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix*
*** Includes both Deferred Tax Assets & Liabilities*

Impacts of Tax Reform on 2018 – 2022 Plan

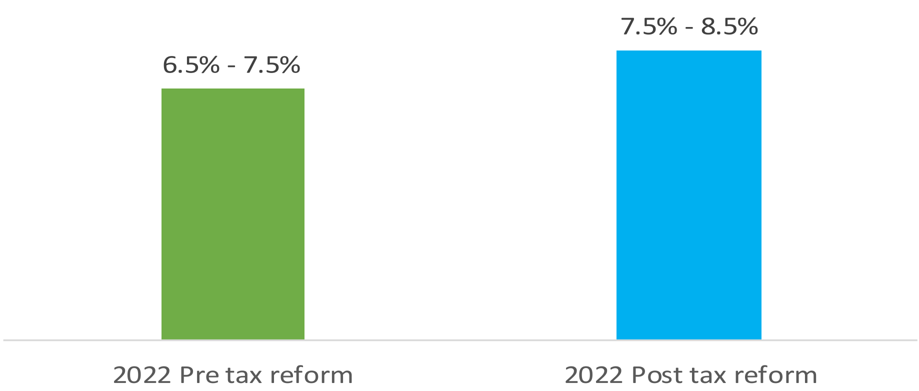
Tax Reform Provisions	Earnings Impact	Cash Flows From Operation Impact
• Reduction in federal tax rate from 35% to 21% ➢ Earnings Neutral on tax rate reduction ➢ Rate base increase from lower deferred taxes		
• Interest expense deductions ➢ Regulated utilities exempt ➢ 30% EBITDA/EBIT interest deductibility test - allocation of parent debt to utilities for tax purposes	Neutral	Neutral
• Regulated utilities no longer allowed bonus depreciation; full cash taxpayer in 2020 instead of 2021		

Positive | Neutral | Negative

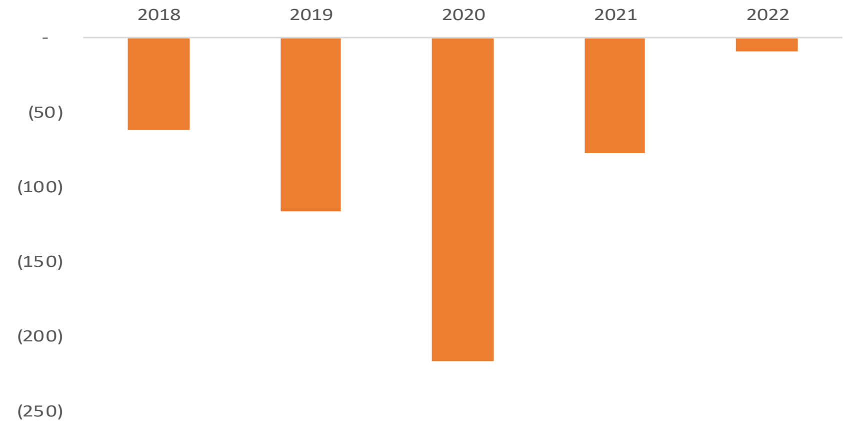
Tax Reform benefits our customers and is accretive to Long-term EPS Growth

Impacts of Tax Reform on 2018 – 2022 Plan

Regulated Rate Base CAGR
($8.0 - $8.6B in Capital Expenditure)



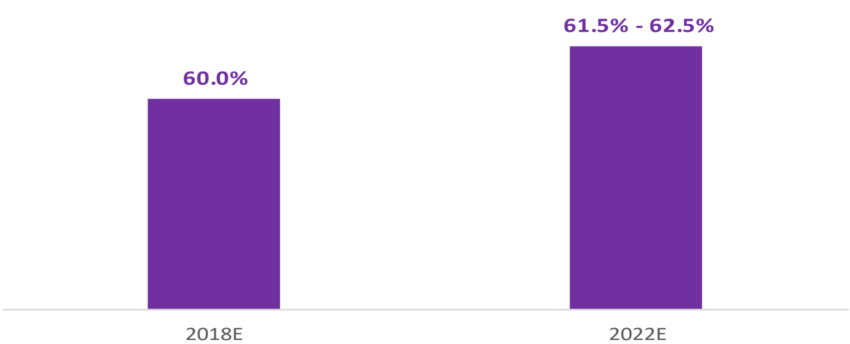
Marginal change in Cash Flows from Operations from pre to post tax reform



Market-based & Parent

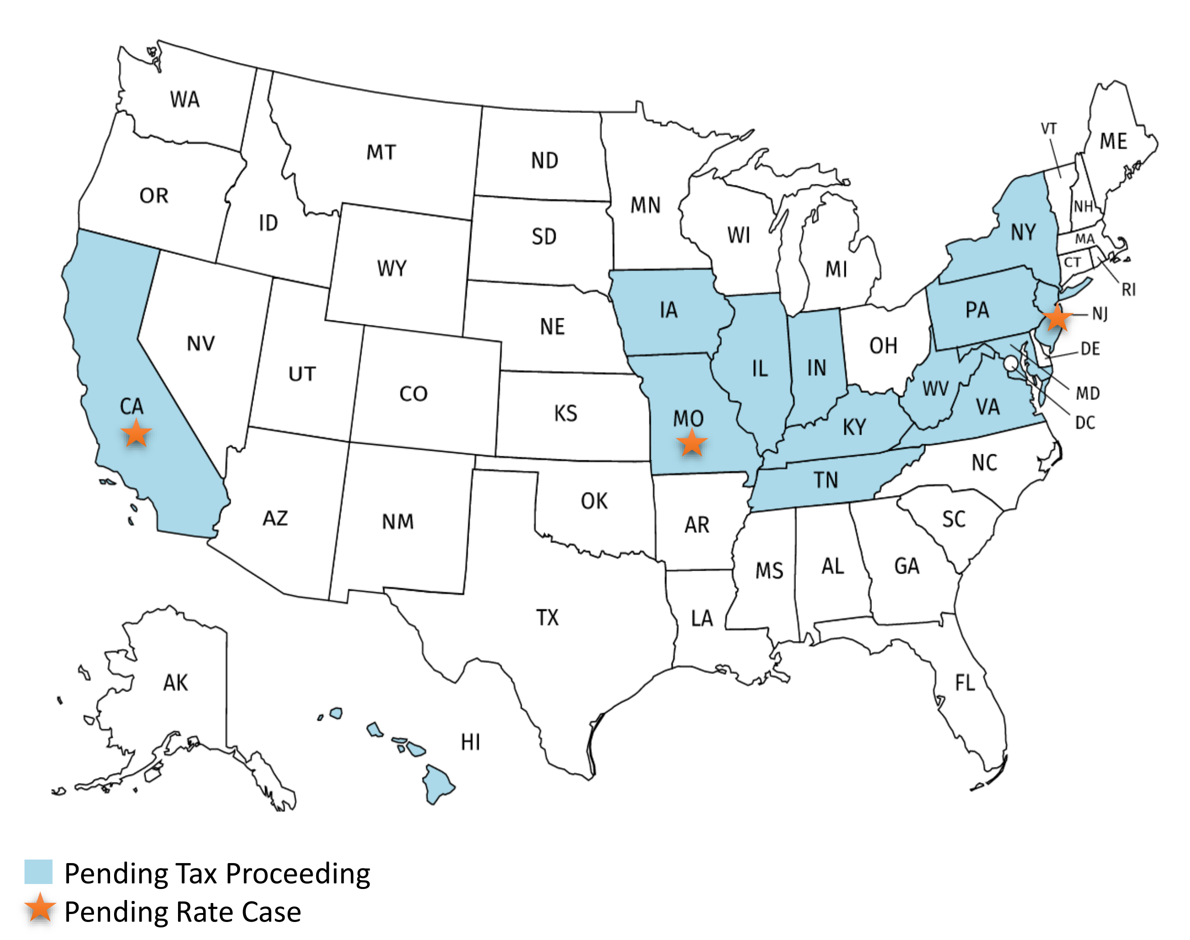
- **Increased earnings at our market-based businesses more than offset lower tax shield on parent interest**
- **However, interest on new debt from lower cash flow increases parent drag**

Debt to Total Capital at $8.0 to $8.6B Cap Ex



Note: Forecast assumes our best estimate of potential outcomes pertaining to tax reform from various regulatory commissions combine with cash management strategies. Actual results may vary

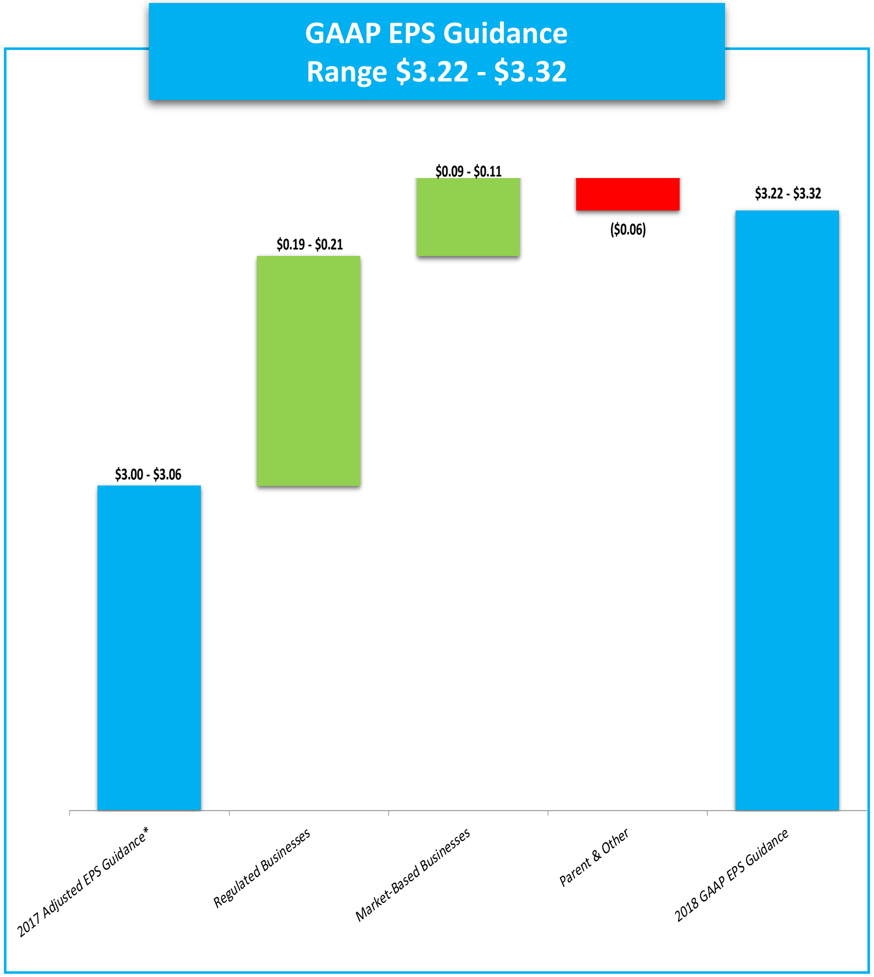
Tax Reform & Regulated Strategy

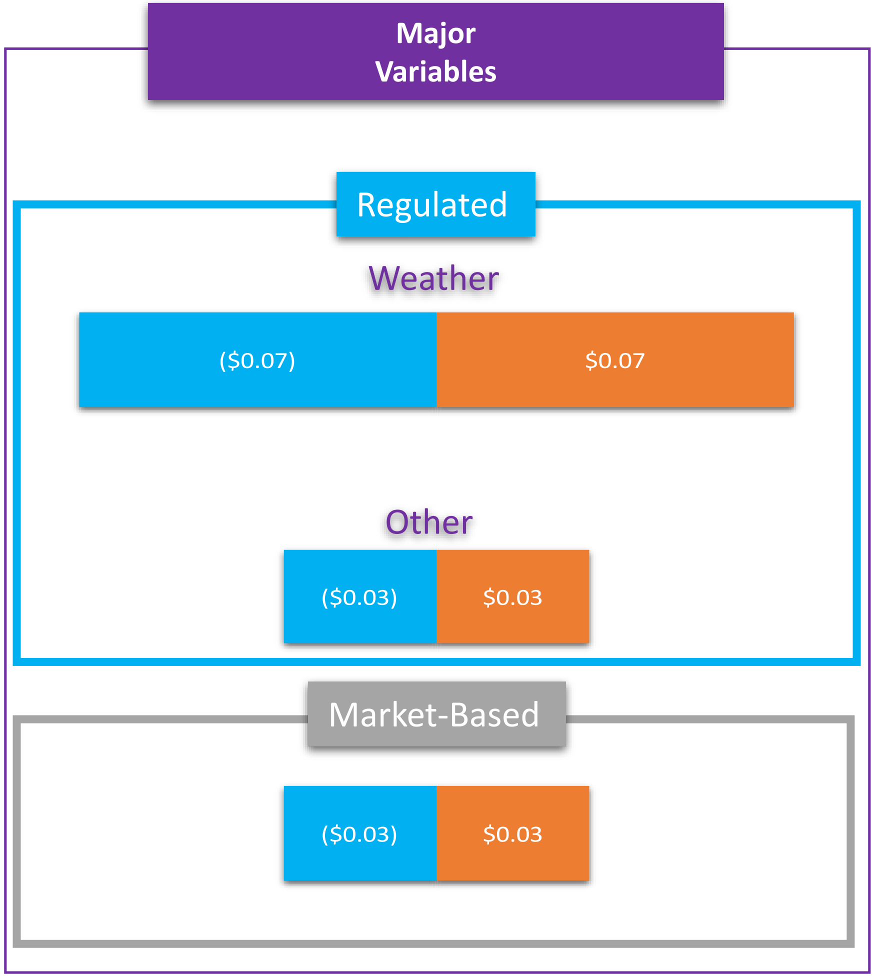


- 14 regulatory jurisdictions have open dockets or rate cases
- Working with regulators on best way to pass tax reform benefits to customers
- Options include, but not limited to:
  - ➢Consolidation of customer rate impacts with rate case proceedings
  - ➢Moderating rate impacts for ongoing investment needs
  - ➢Faster recovery of regulatory and deferred assets
  - ➢Deferral of rate proceedings
  - ➢Rate reductions

Note: Subject to change; as of February 1, 2018

Affirming 2018 EPS Guidance Range of $3.22 - $3.32





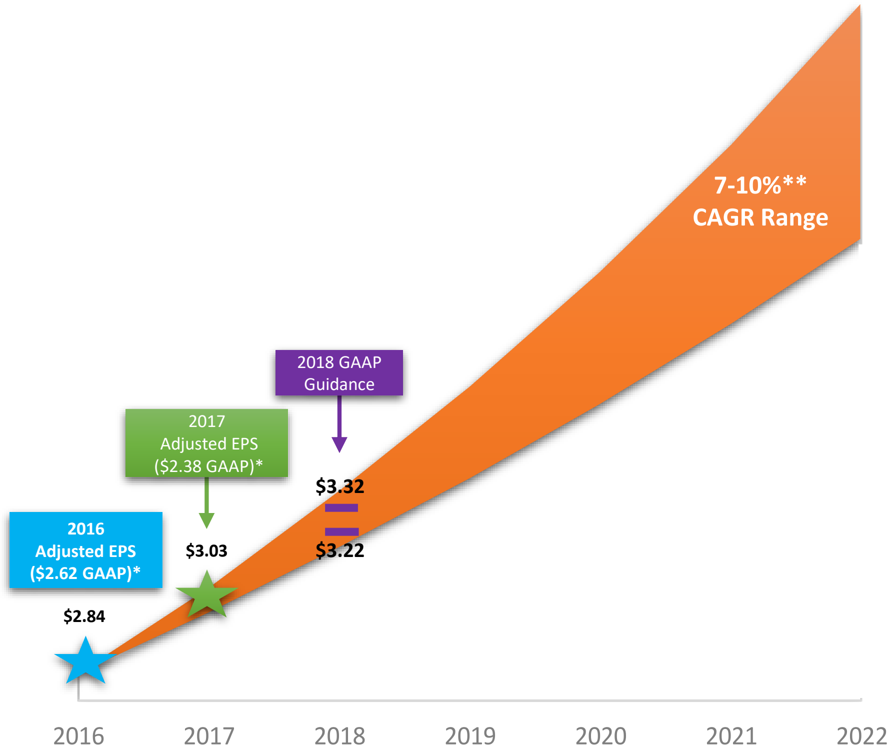
** Adjusted EPS is a non-GAAP measure. Please see reconciliation table in appendix*

American Water Long Term Outlook

Highlights

- Affirming **7 – 10%**** five-year Adjusted EPS CAGR
- Tax reform expected to be **accretive** to earnings on a long term basis
- Affirming our estimated **$8.0 - $8.6 billion** five year capital investment with continued focus on customer affordability
- Continued focus on **improving O&M Efficiency** through technology, supply chain, and cost management
- **Growing our dividend** at high end of the long-term 7 – 10%** EPS CAGR***
- Affirming our on-going position that **no new equity** will be required under normal operating conditions

Long Term Adjusted Earnings Per Share Growth CAGR Target of 7-10% continues through 2022**



** Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation*
*** Anchored off of 2016 Adjusted EPS (a non-GAAP measure)*
**** Subject to board approval*

The Regulated Businesses

Walter Lynch

Chief Operating Officer

2017 Regulated Businesses Update

PENNSYLVANIA AMERICAN WATER

Pennsylvania Rate Case

- Settlement agreement (black box) unanimously approved in December 2017, 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 of 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

California Cost of Capital

- Received ALJ proposed settlement
- Requested ROE of 10.8%
- Requested 55.4% Equity and 44.6% Debt

Regulated Acquisitions Update

START

Agreement Process

Regulatory Approval & Close

Customers Served at Initial Rates

Rate Case Process

SIGNING / PENDING

≈ 23,000 PENDING Customer Connection

16 Total Acquisitions

CA: 4	KY: 1
IL: 5	PA: 2
IN: 2	MO: 2

2017 Closed

39,514 CLOSED

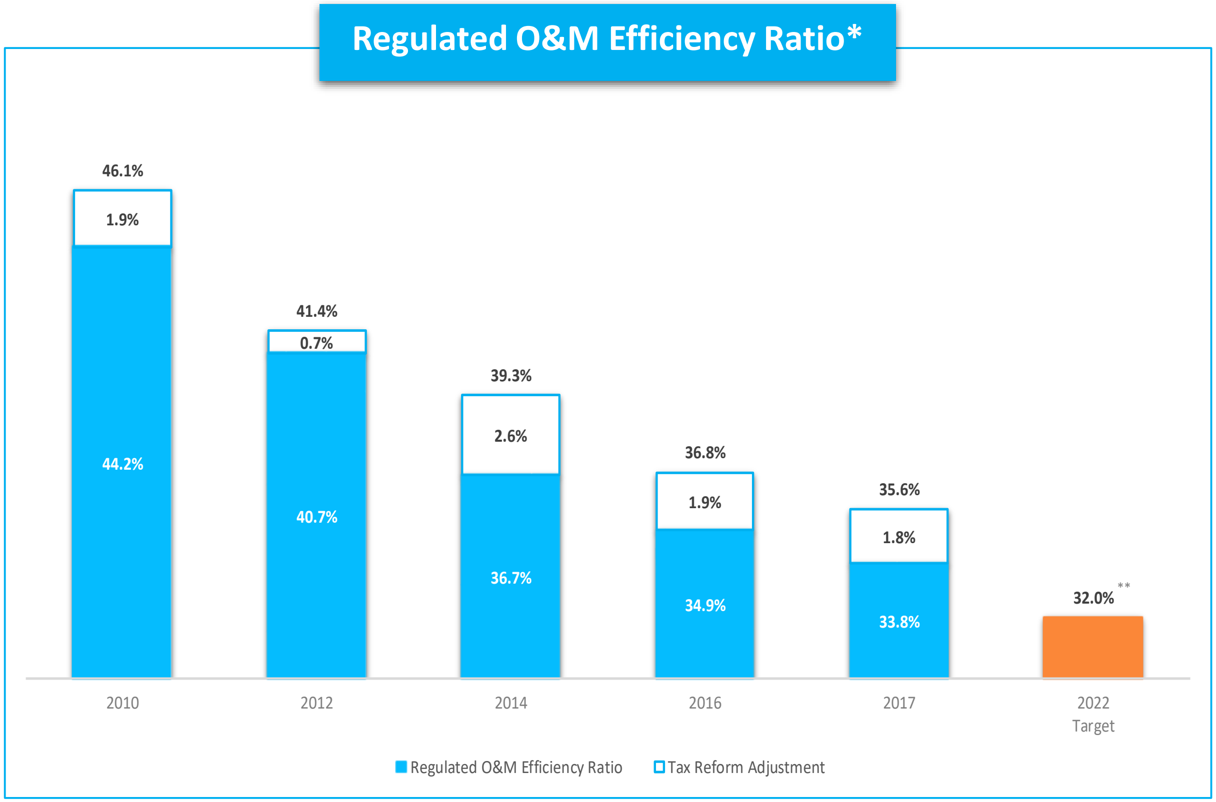
McKeesport, PA*
22,000

Shorelands, NJ
11,000

Meadowbrook, CA
1,700

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

Keep 2022 Target of 32% despite tax reform impact



* 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

Concluding Remarks

Susan Story

President and Chief Executive Officer

Impact of Administration Infrastructure Proposal

Highlights

- Higher than anticipated focus on water
- Calls for treating private operators same as public
- Encourages partnerships
- Includes private participation in Clean Water State Revolving Fund (CWSRF)
- Eliminates caps for Public Activity Bonds (PAB)
- Expansion of Water Infrastructure Finance and Innovation Act (WIFIA)

Conclusions

- Good start for further national infrastructure discussions
- Levels the playing field for all water and wastewater services providers
- As expected, no significant increases in free federal money
- Gives all water and wastewater providers opportunity for incentive funding

Tax Reform *is* an Infrastructure Plan
Our Strategy Doesn’t Change, Just Gets Stronger

American Water

Q & A Session

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Ralph Jedlicka
Director,
Investor Relations
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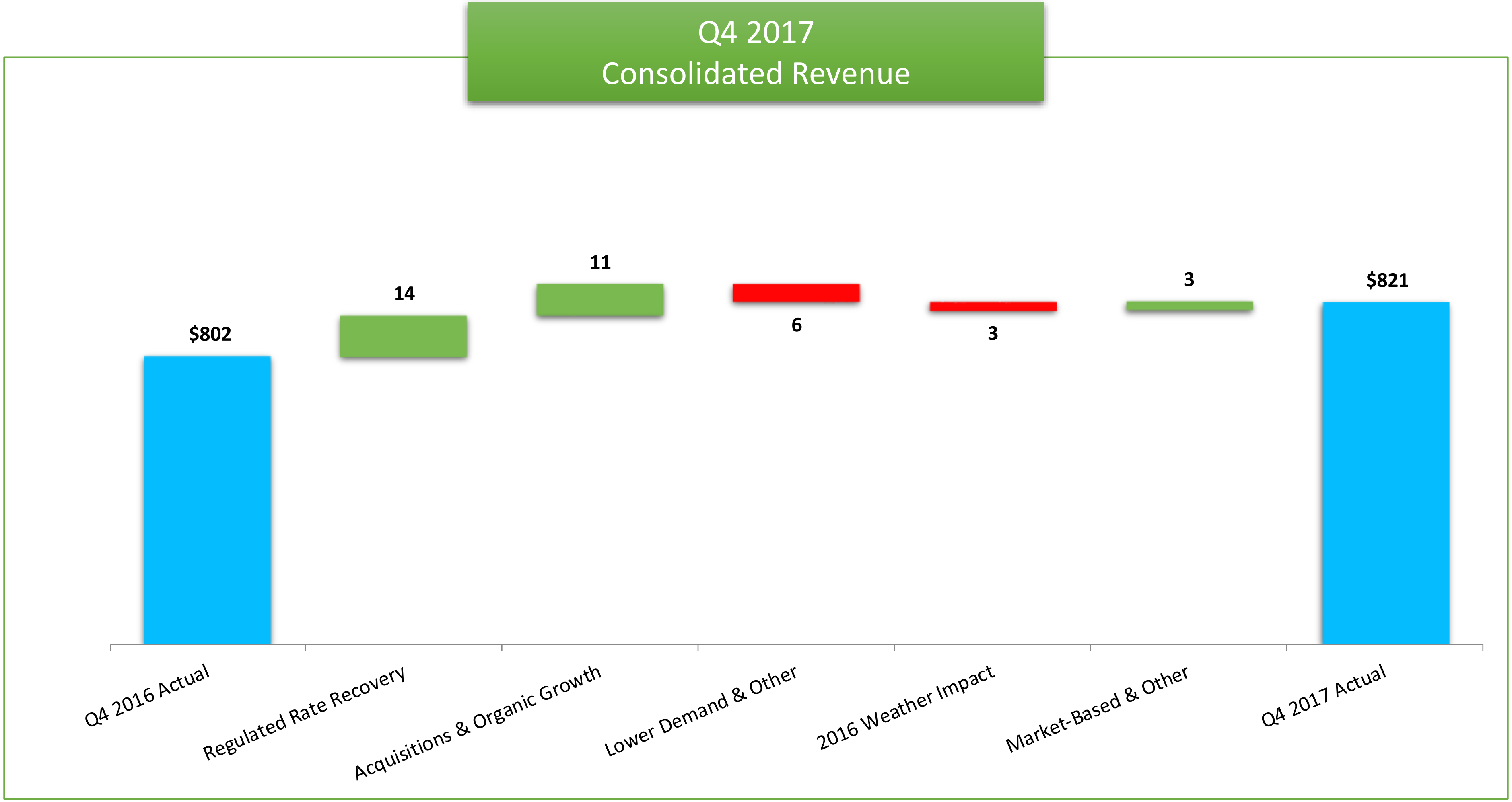
Upcoming Events:

May 3, 2018	2018 Q1 Earnings Call
May 11, 2018	Annual Stockholders' Meeting
December 11, 2018	Analyst Day, New HQ (One Water Street, Camden, NJ)

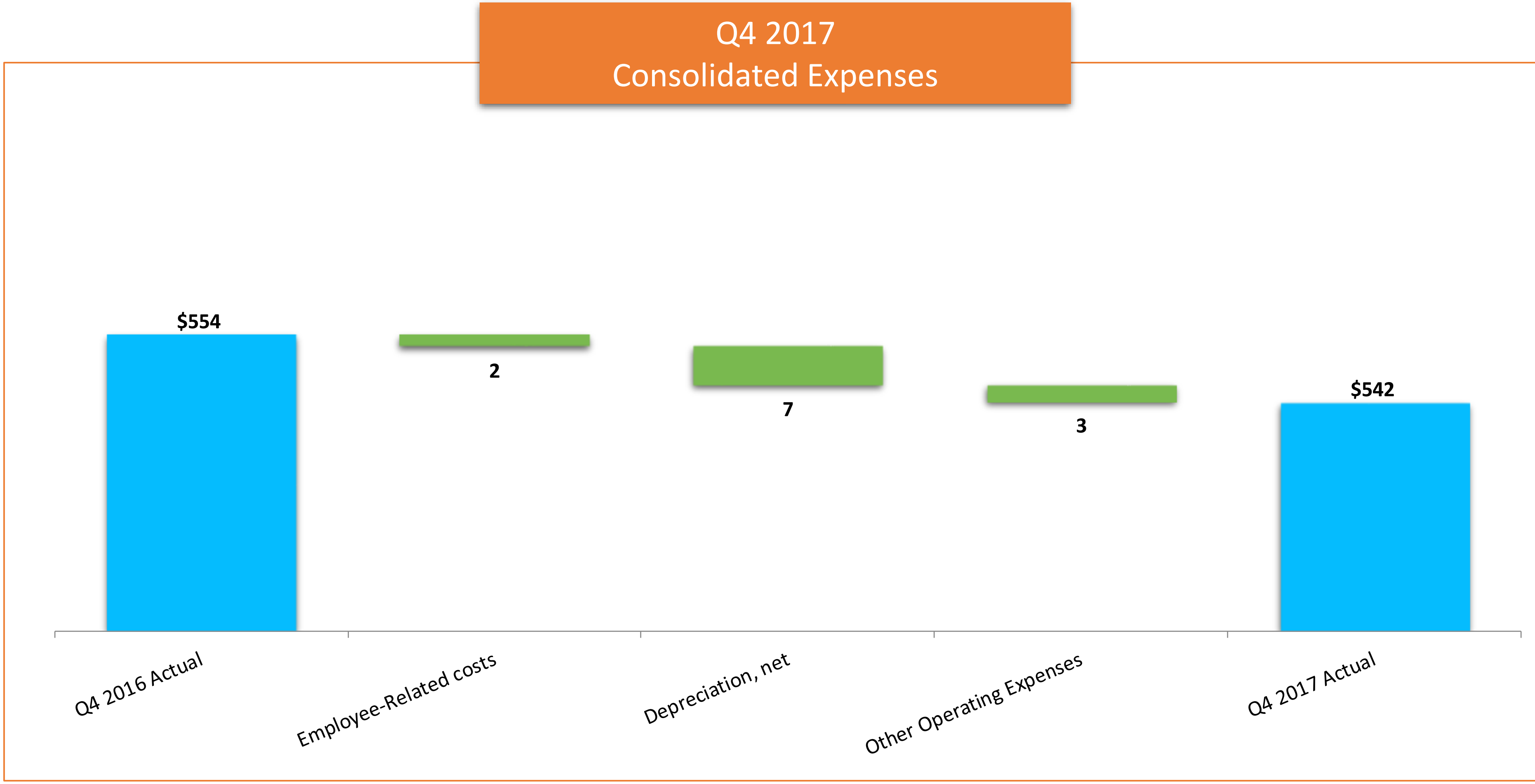

Appendix
AMERICAN WATER
NYSE: AWK

2017 Fourth Quarter Revenue Breakdown

($ in millions)

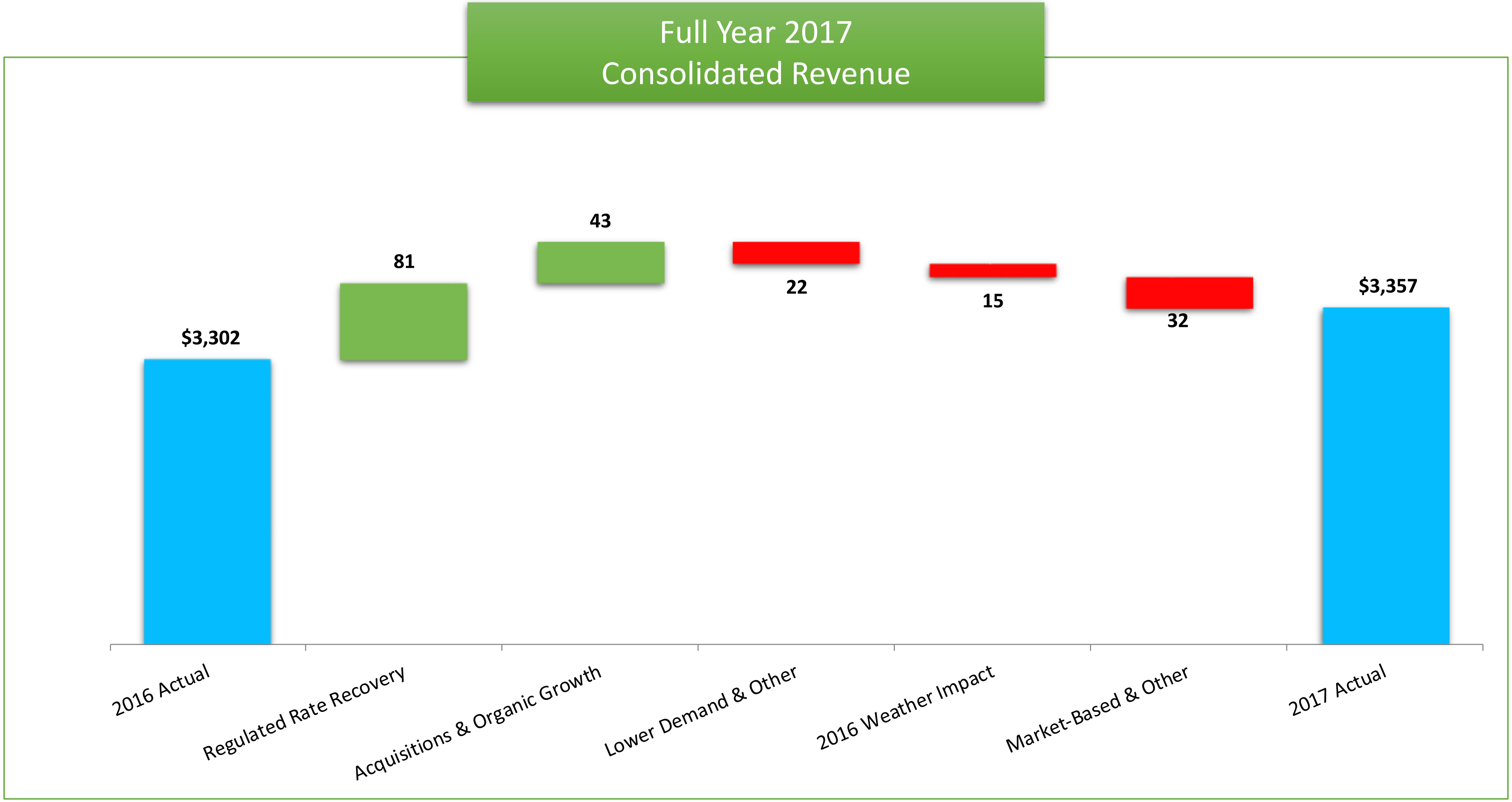


2017 Fourth Quarter Operating Expense Breakdown
($ in millions)



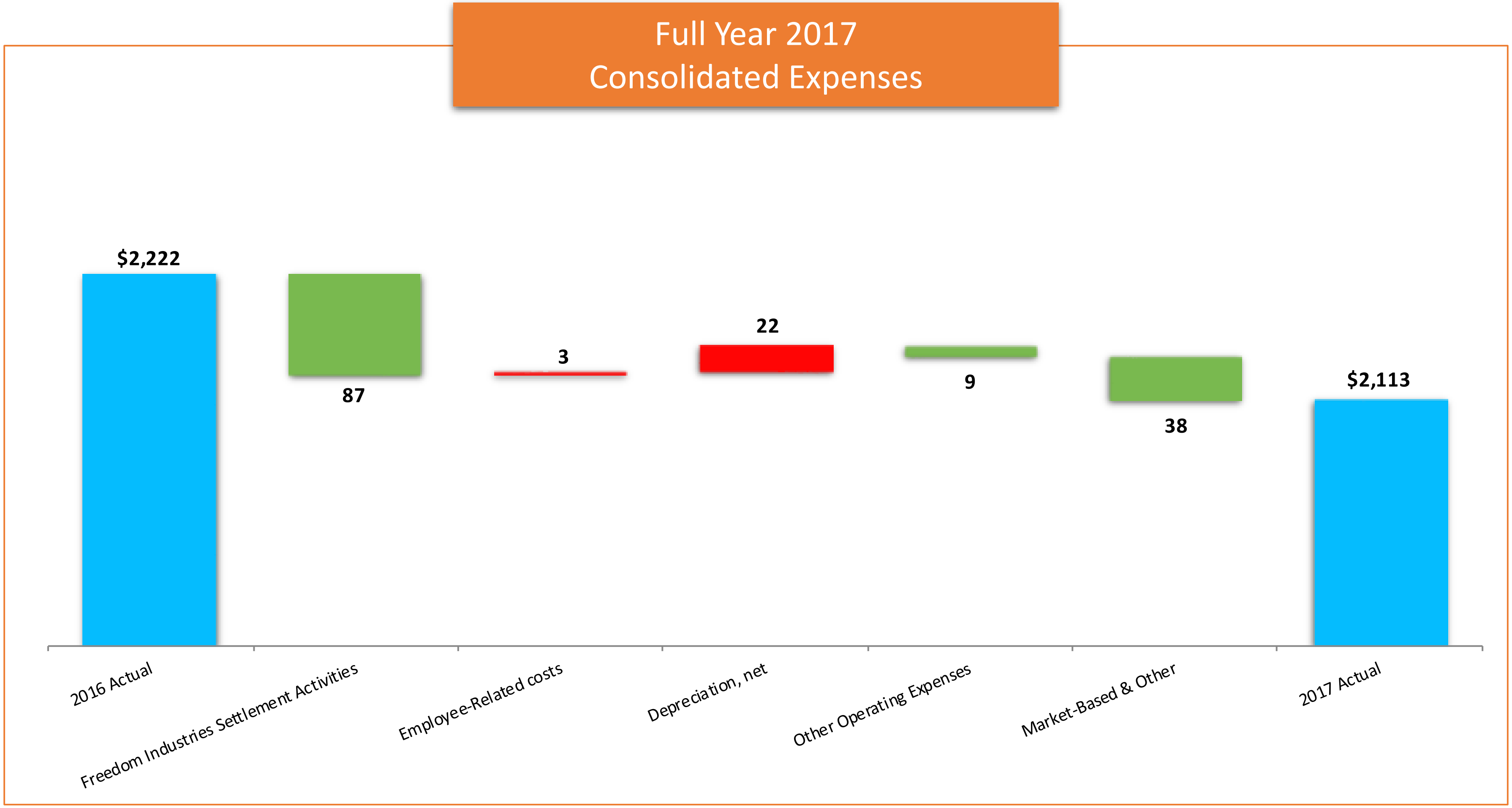
2017 Full Year Revenue Breakdown

($ in millions)



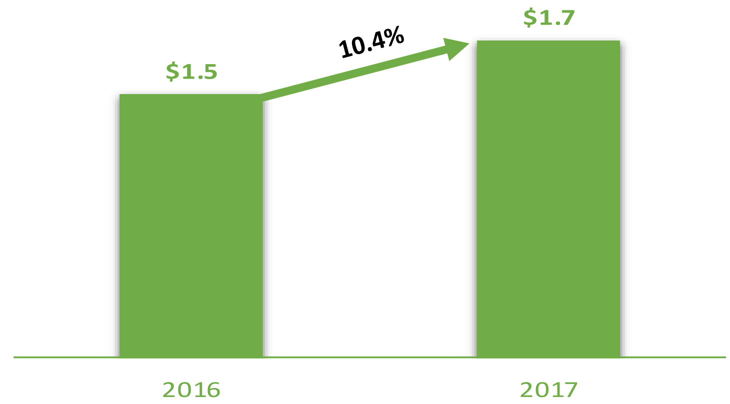
2017 Full Year Operating Expense Breakdown

($ in millions)

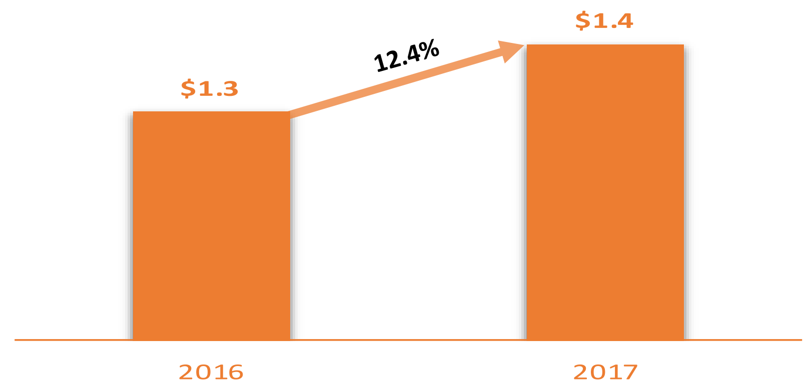


Creating Customer and Shareholder Value

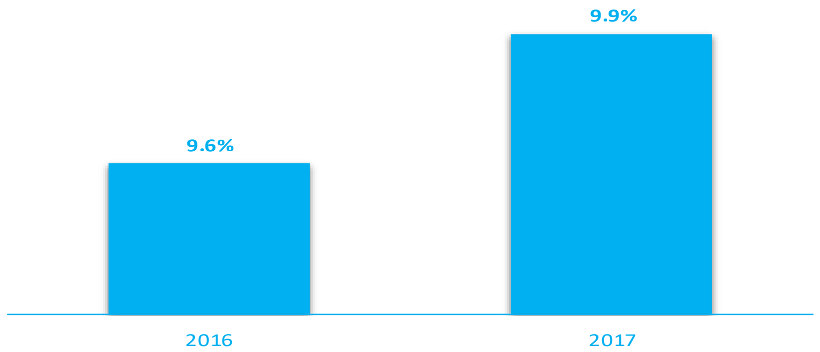
Record level of Capital Investment in 2017
(in billions)



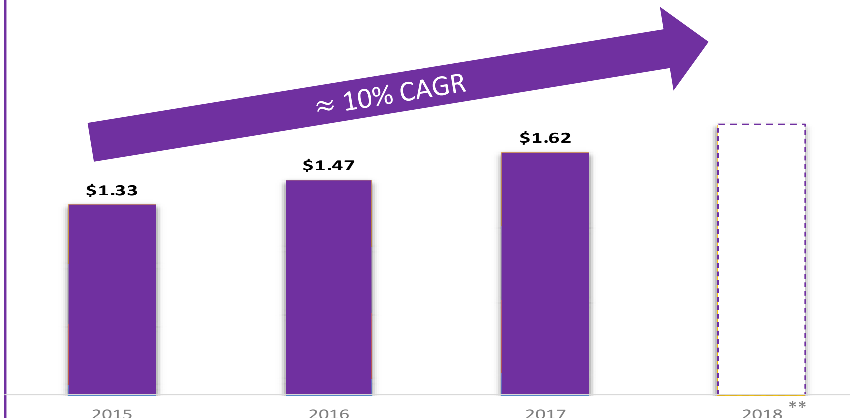
Strong Cash Flow from Operations
(in billions)



Delivering Shareholder Value
Adjusted Return on Equity*

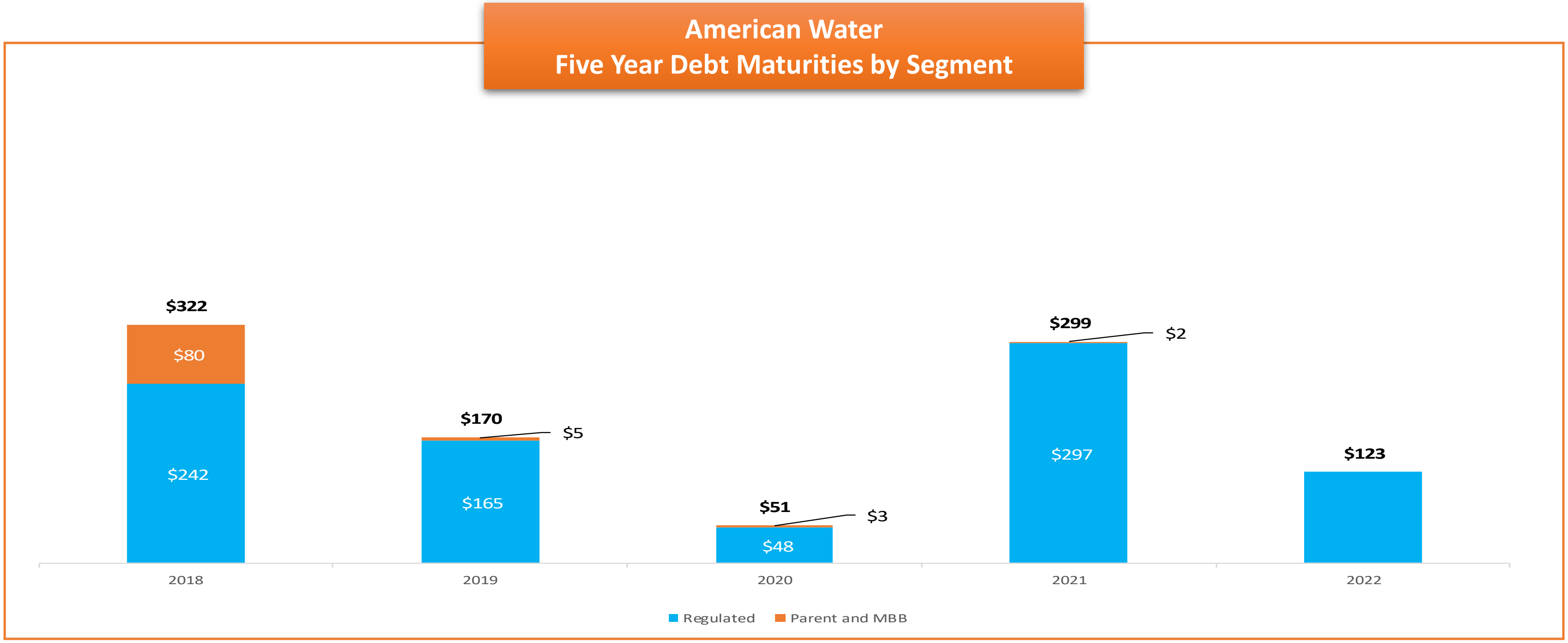


2018 Expected Dividend Growth at the top of long term EPS CAGR**



* *Adjusted Return on Equity is a non-GAAP measure. Please see reconciliation table in appendix*
** *Future dividends are subject to approval of the American Water Board of Directors*

Five Year Debt Maturities Schedule



2018 - 2022	Outstanding ($ in millions)		Weighted Avg Interest Rate
Parent and MBB	$	90	5.57%
Regulated	$	875	5.81%
Total	**$**	**965**	**5.79%**

Rates Effective Since January 1, 2017

	Date Effective	Annualized Revenue Increases Effective in 2017		Revenue Increases Effective Since January 1, 2018		
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				
New Jersey (DSIC)	12/10/2017	4				
Missouri (ISRS)	12/15/2017	6				
West Virginia (DSIC)	1/1/2018			$3		
Illinois (QIP)	1/1/2018			3		
		$33		**$6**		
Rate Cases & Step Increases						
California Step Increase	1/13/2017-2/2/2017	$5				
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)			
Pennsylvania	1/1/2018			62	(e)	
		$43		**$62**		
	Total	**$76**		**$68**		**$144**

(a) The revenue amount received includes $26 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 approve Included in revenue increase is $0.1k of non-jurisdictional revenues.

(e) The revenue increase from the PA GRC of $62 million does not include $42 million DSIC revenues that were effective in 2017.

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						
Virginia (WWISC)		10/31/2017	$1			$9
Tennessee (QIIP, EDI, SEC)		11/7/2017	$2			$12
Indiana (DSIC)		1/18/2018	$7			$72
			$10			**$93**
		Total Awaiting Final Order:	**$255**			

(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 $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 $5 million of pending 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	$3,162,597	(b)	$155,747		$529,212
Authorized ROE	9.75%	9.10%	10.00%	(e)	9.25%		9.75%
Authorized Equity	52.00%	46.00%	53.75%	(d)	46.09%		45.84%
Effective Date of Rate Case	9/21/2015	6/1/2017	1/1/2018		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

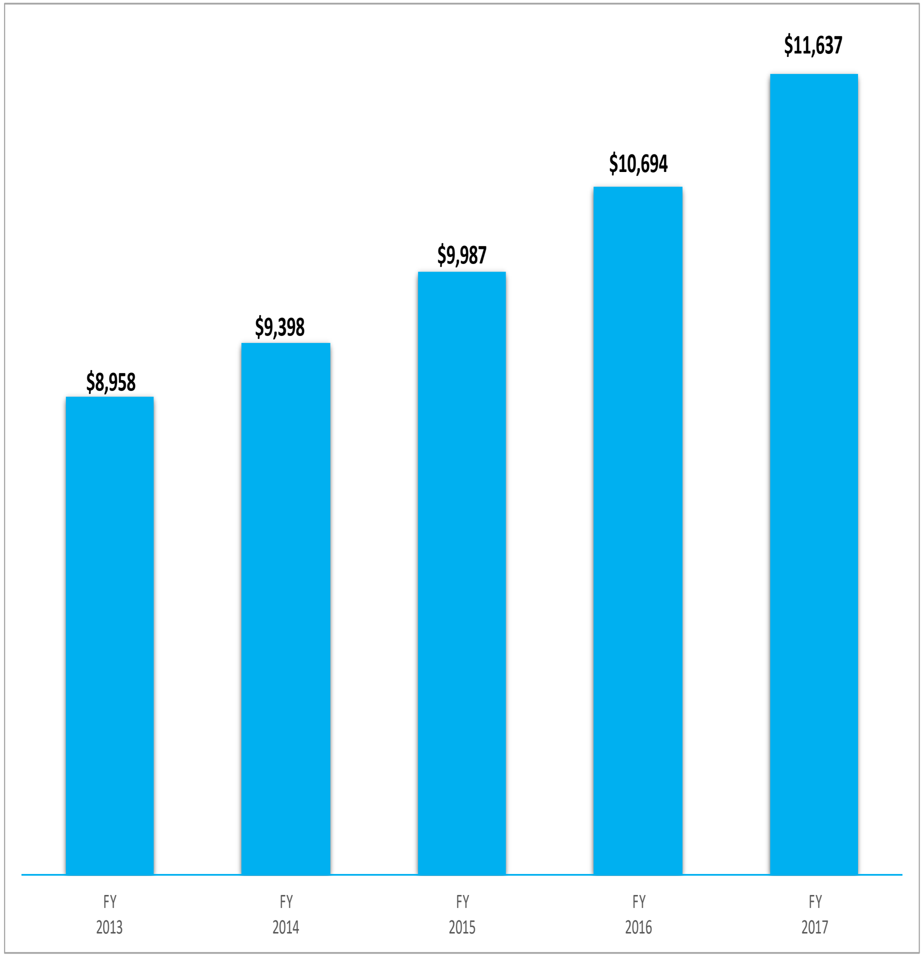
d) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

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*

($ in millions)



Estimated Rate Base*		
		FY 2017
Net Utility Plant		$15,999
Less		
	Advances for Construction	271
	CIAC – Contributions in Aid of Construction	1,276
	Net Deferred income taxes**	2,793
	Deferred investment tax credits	22
	Sub Total	$4,362
Rate Base	TOTAL	$11,637

** An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes*
*** Includes the regulatory liability established to normalize the impact of tax rate changes under the Tax Cuts and Jobs Act*

Reconciliation Tables: Adjusted Earnings Per Share*

Earnings per Share	Full Year 2017	Full Year 2016	Full Year 2017 vs. 2016	For the Three Months Ended December 31, 2017	For the Three Months Ended December 31, 2016	For the Three Months Ended December 31, 2017 vs. 2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	**$ 2.38**	**$ 2.62**	**$ (0.24)**	**$ (0.01)**	**$ 0.57**	**$ (0.58)**
Non-GAAP adjustments:						
Impact of Freedom Industries settlement activities	(0.12)	0.36	(0.48)	-	-	-
Income tax impact	0.05	(0.14)	0.19	-	-	-
Net non-GAAP adjustment	(0.07)	0.22	(0.29)	-	-	-
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	-	-	-
Impact of the Tax Cuts and Jobs Act	0.70	-	0.70	0.70	-	0.70
Total net non-GAAP adjustments	0.65	0.22	0.43	0.70	-	0.70
Adjusted diluted earnings per share (non-GAAP)	**$ 3.03**	**$ 2.84**	**$ 0.19**	**$ 0.69**	**$ 0.57**	**$ 0.12**

Regulated Businesses Earnings per Share	Full Year 2017	Full Year 2016	Full Year 2017 vs. 2016	For the Three Months Ended December 31, 2017	For the Three Months Ended December 31, 2016	For the Three Months Ended December 31, 2017 vs. 2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	**$ 3.12**	**$ 2.64**	**$ 0.48**	**$ 0.63**	**$ 0.55**	**$ 0.08**
Non-GAAP adjustment:						
Impact of Freedom Industries settlement activities	(0.12)	0.36	(0.48)	-	-	-
Income tax impact	0.05	(0.14)	0.19	-	-	-
Net non-GAAP adjustment	(0.07)	0.22	(0.29)	-	-	-
Impact of the Tax Cuts and Jobs Act	0.03	-	0.03	0.03	-	0.03
Total net non-GAAP adjustments	(0.04)	0.22	(0.26)	0.03	-	0.03
Adjusted diluted earnings per share (non-GAAP)	**$ 3.09**	**$ 2.86**	**$ 0.23**	**$ 0.66**	**$ 0.55**	**$ 0.11**

Parent Company Earnings per Share	Full Year 2017	Full Year 2016	Full Year 2017 vs. 2016	For the Three Months Ended December 31, 2017	For the Three Months Ended December 31, 2016	For the Three Months Ended December 31, 2017 vs. 2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	**$ (0.95)**	**$ (0.24)**	**$ (0.71)**	**$ (0.69)**	**$ (0.05)**	**$ (0.64)**
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	-	-	-
Impact of the Tax Cuts and Jobs Act	0.64	-	0.64	0.64	-	0.64
Total net non-GAAP adjustments	0.66	-	0.66	0.64	-	0.64
Adjusted diluted earnings per share (non-GAAP)	**$ (0.30)**	**$ (0.24)**	**$ (0.06)**	**$ (0.05)**	**$ (0.05)**	**$ 0.00**

Market-based Businesses Earnings per Share	Full Year 2017	Full Year 2016	Full Year 2017 vs. 2016	For the Three Months Ended December 31, 2017	For the Three Months Ended December 31, 2016	For the Three Months Ended December 31, 2017 vs. 2016
Diluted earnings per share (GAAP):						
Net income attributable to common stockholders	**$ 0.21**	**$ 0.22**	**$ (0.01)**	**$ 0.05**	**$ 0.07**	**$ (0.02)**
Non-GAAP adjustment:						
Impact of the Tax Cuts and Jobs Act	0.03	-	0.03	0.03	-	0.03
Adjusted diluted earnings per share (non-GAAP)	**$ 0.24**	**$ 0.22**	**$ 0.02**	**$ 0.08**	**$ 0.07**	**$ 0.01**

**Amounts may not sum 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**	FY 2012	FY 2014	FY 2016	FY 2017
Total Operations and Maintenance Expense	$1,291	$1,330	$1,350	$1,504	$1,378
Less:					
Operations and Maintenance Expense – Market Based Operations	257	256	289	372	337
Operations and Maintenance Expense – Other	(61)	(56)	(51)	(44)	(50)
Total Regulated Operations and Maintenance Expense	$1,095	$1,130	$1,112	$1,176	$1,091
Less:					
Regulated Purchased Water Expense	100	110	122	122	128
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**	**$956**
Total Operating Revenues	$2,555	$2,854	$3,011	$3,302	$3,357
Less:					
Operating Revenues – Market Based Operations	295	307	355	451	422
Operating Revenues – Other	(26)	(17)	(18)	(20)	(23)
Total Regulated Operating Revenues	$2,286	$2,564	$2,674	$2,871	$2,958
Less:					
Regulated Purchased Water expense*	100	110	122	122	128
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**	**$2,830**
Regulated O&M Efficiency Ratio (a)/(b)	**44.2%**	**40.7%**	**36.7%**	**34.9%**	**33.8%**

Adjusted Regulated Operations and Maintenance Expense	**$966**	**$980**	**$943**	**$959**	**$956**
Less:					
Accounting standard change for pension and OPEB	-	29	(14)	5	9
Adjusted Regulated Operations and Maintenance Expense (c)	**$966**	**$951**	**$957**	**$954**	**$947**
Adjusted Regulated operating revenues	**$2,186**	**$2,407**	**$2,570**	**$2,749**	**$2,830**
Less:					
Estimated Tax Reform***	89	112	137	155	168
Adjusted Regulated operating revenues (d)	**$2,097**	**$2,294**	**$2,433**	**$2,594**	**$2,662**
Adjusted Regulated O&M Efficiency Ratio (c)/(d)	**46.1%**	**41.5%**	**39.3%**	**36.8%**	**35.6%**

** Calculation assumes purchased water revenues approximate purchased water expenses*
*** Does not include the impact from discontinued operations resulting from the sale of the Company's Terratec business in 2014*
**** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) – Revenue Requirement with old Effective Tax Rate*

Reconciliation Table: Adjusted Return on Equity

For the Twelve Months Ended December 31,	2016	2017
Net Income	$468	$426
Adjustments:		
Impact of Freedom Industries litigation settlement activities	65	(22)
Debt Extinguishment	-	6
Tax Impact for items above	(26)	7
Tax Reform	-	125
Adjusted Net Income from Continuing Operations (a)	**$507**	**$542**
Stockholders' equity	$5,218	$5,385
Adjustments:		
Impact of Freedom Industries litigation settlement activities	65	(22)
Debt Extinguishment	-	6
Tax Impact for items above	(26)	7
Tax Reform	-	125
Adjusted Stockholders' Equity (b)	**$5,257**	**$5,501**
Adjusted Return on Equity (a/b)	**9.6%**	**9.9%**

Closed and Pending Acquisitions as of December 31, 2017

2017 Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	1,764	-	1,764
Indiana	1	1,300	-	1,300
Iowa	1	718	-	718
Illinois	3	700	120	820
Missouri	4	617	508	1,125
New Jersey	1	11,212	-	11,212
New York	5	360	-	360
Pennsylvania*	1	-	22,000	22,000
West Virginia	1	215	-	215
Total	**19**	**16,886**	**22,628**	**39,514**

Pending Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	4	8,629	-	8,629
Illinois	5	2,448	2,306	4,754
Indiana	2	6,165	-	6,165
Kentucky	1	610	-	610
Pennsylvania	2	-	3,062	3,062
Missouri	2	49	128	177
Total	**16**	**17,901**	**5,496**	**23,397**

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