2018 Third Quarter Earnings Conference Call

AMERICAN WATER

Forward-Looking Statements

Ed Vallejo
Vice President, Investor Relations

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2018 adjusted earnings guidance, projected long-term earnings, the level of future capital expenditures, estimates regarding our projected financial condition, the projected growth and size of the market-based businesses (individually or in the aggregate), our projected operation and maintenance efficiency ratio, the outcome of pending acquisition activity, projected impacts of the Tax Cuts and Jobs Act (the "TCJA") and changes in New Jersey income tax law on our business, results of operations, cash flows and liquidity, and the 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 December 31, 2017, and subsequent filings with the SEC, including our Form 10-Q for the quarter ended September 30, 2018, as filed with the SEC on October 31, 2018, and because of factors including, without limitation: 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 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; our ability to control operating expenses and to achieve efficiencies in 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, close and successfully integrate regulated operations and market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses, and realize anticipated benefits and synergies from new acquisitions; future results and growth from Keystone's narrowed business focus; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; and 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 TCJA, 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.

These and other forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors and cautionary statements included in our annual and quarterly SEC filings, and readers should refer to such risks, uncertainties, risk factors and statements 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

Our Strategy Delivers Results

- Strong 2018 Adjusted EPS Growth
  - -Third quarter increased 11.1%*
  - -Year-to-date increased 11.5%*
- Continued **execution** in our Regulated Businesses
- **$1.5 billion** total investments through the first nine months in 2018, with **$1.1 billion** dedicated to Regulated Capital Investment and **$383 million** acquisition investment (including $365 million for Pivotal)
- Added **7,600** new customer connections from **closed acquisitions** to date and **8,900** from **organic growth**
- Approximately **56,000** customer connections **under agreement** to date
- Overall Market-Based Businesses showed **strong growth**

** Adjusted EPS growth is a Non-GAAP measure. Please see appendix for reconciliation of Adjusted EPS*

Market-Based Businesses Update

Homeowner Services

- Pivotal integration **proceeding well**
- Growing **Partnerships** with San Francisco, Philadelphia, Toledo, and Fort Wayne

Military Services

- **Awarded** Fort Leonard Wood Army base in Missouri
- Growing to **14 Total** Bases

Contract Services

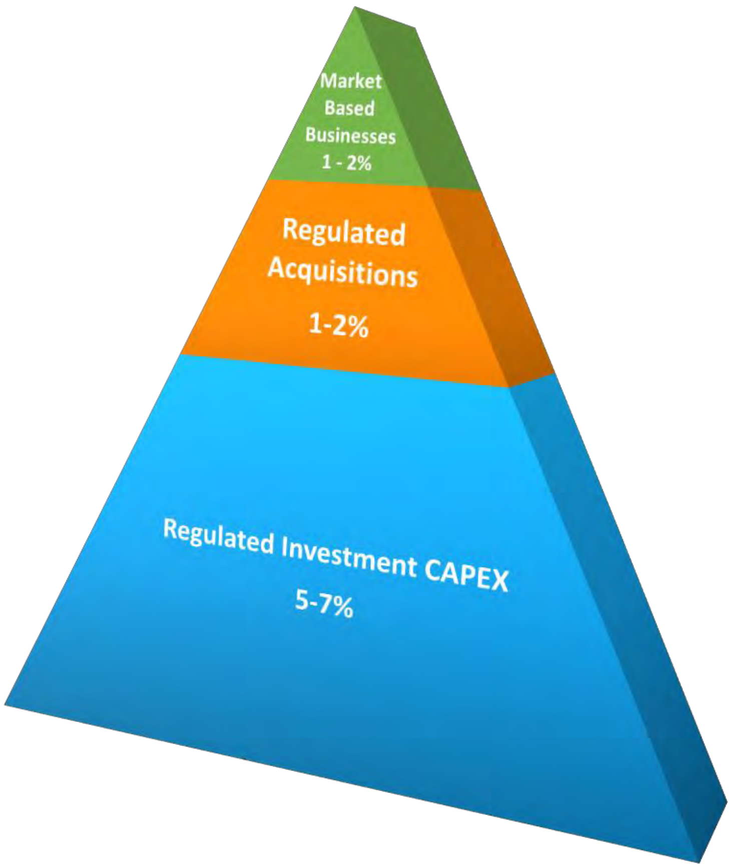
- $0.06 per share **gain from sale** of majority of O&M contracts
- Sale of 20 of 22 contracts **completed**, with the sale of the remaining two contracts **expected to close** by the end of 2018

Keystone Business

- **Streamlined** the business: **discontinued** the Water Trucking and Construction Businesses
- Narrowed our **focus** to the **Water Transfer Business** where we have seen consistent growth & margins and clearer “line of sight” to future business
- Impairment Charge **$40 million** (after-tax)
- **$2.6 million** (after-tax) in financial charges in third quarter

Our Long-Term Growth Strategy is On Track with Regulated Businesses as the Foundation

2018 - 2022 Plan*
7 – 10% EPS CAGR Top Half of Range



- **Narrowing** 2018 EPS guidance to top portion of prior range, or an adjusted **$3.27-$3.32****
- Growing our dividend at high end of targeted **long-term 7 – 10%*** EPS CAGR***
- Total MBB **remains < 15%** of EPS through 2022

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

The Regulated Businesses

Walter Lynch

Chief Operating Officer

Regulated Businesses Rate Case Update

Settled

New Jersey Rate Case

- Filed September 15, 2017
- Settled October 29, 2018
- Revenue increase of $40 million
- ROE 9.6% with 54% equity
- Distribution System Improvement Charge reset to zero
- Acquisition adjustments deferred to separate proceeding

Joint Stipulated Agreement*

West Virginia Rate Case

- Filed April 30, 2018
- Settlement Agreement on October 26, 2018
- Revenue increase of $23 million
- ROE 9.75%
- Infrastructure Surcharge expanded

On-Going

California Rate Case

- Filed July 1, 2016
- Recovery of $230 million in infrastructure upgrades
- ROE set in separate Cost of Capital Decision
  - 9.2% ROE with 55% equity

Maryland Rate Case

- Filed June 28, 2018
- Requested ROE 10.8%
- Recovery of $18 million in infrastructure upgrades

Indiana Rate Case

- Filed September 14, 2018
- Requested ROE 10.8%
- Recovery of $542 million in infrastructure upgrades

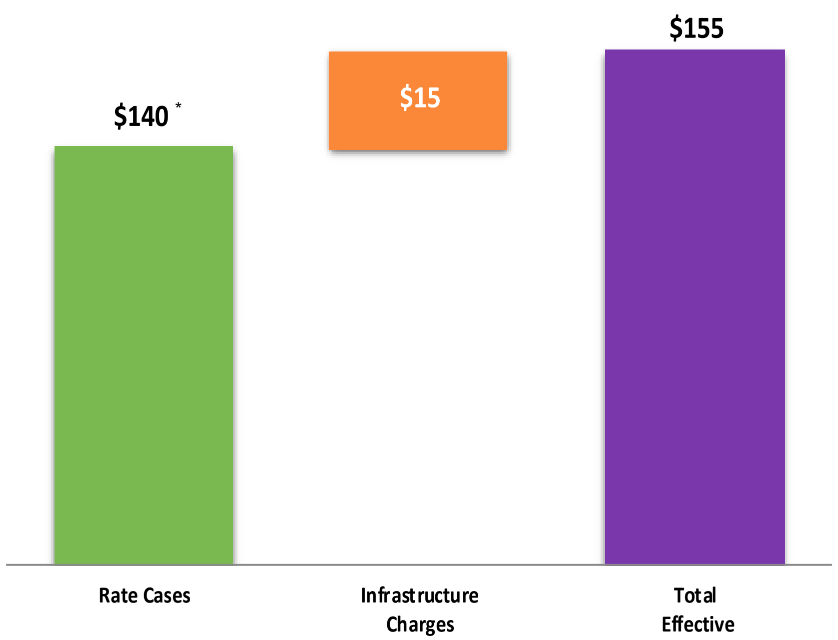
** The Joint Stipulated Agreement was filed by WVAWC, the staff of the Public Service Commission of West Virginia and the Consumer Advocate Division with respect to our WVAWC general rate case and infrastructure surcharge filings. Subject to final PSC approval*

Rate Filings Approved and Awaiting Final Order

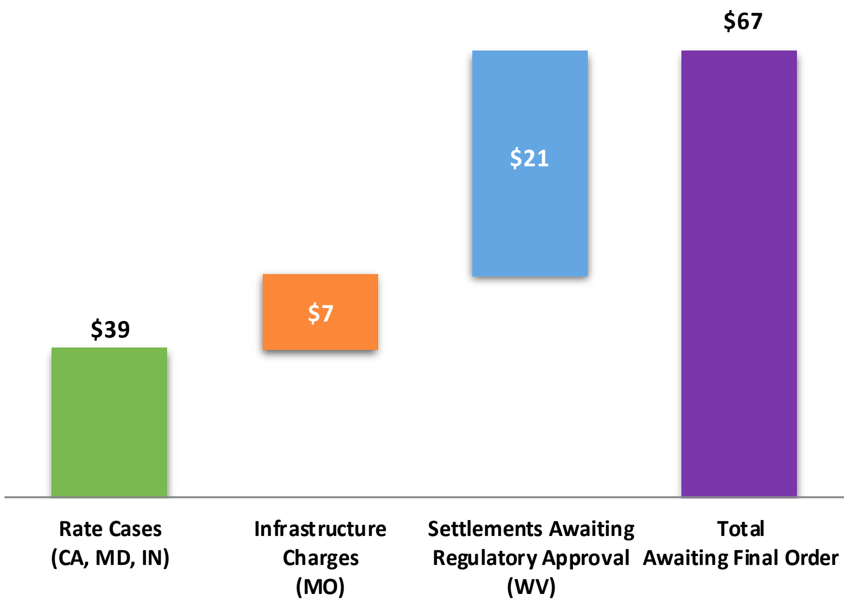
($ in millions)

2018 Annualized Revenue Increase for Approved Rates

Effective Since January 1, 2018



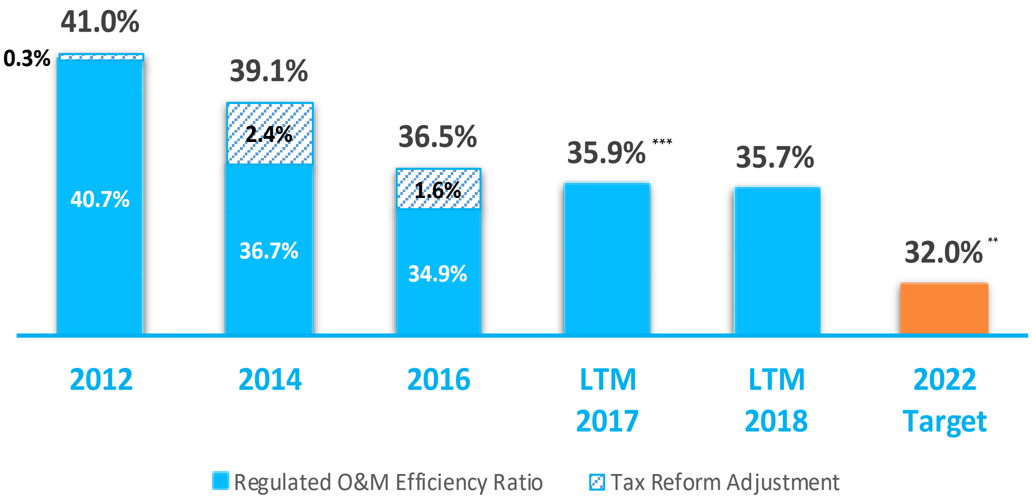
Requested Revenue Awaiting Final Order



* *Includes New Jersey rate case settlement, effective 6/15/2018*

O&M Efficiency Benefits Our Customers

Regulated O&M Efficiency Ratio*



Adjustedational Operations and Maintenance Expense*

($ in millions)

2012	2014	2016	LTM 2018	
$980	$943	$959	$1,001	0.4% CAGR

** 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*

**** The adjusted O&M efficiency ratio previously reported for the twelve months ended September 30, 2017 was 34.2%, which did not include the adjustments for the impact of the Company's adoption of ASU 2017-07 on January 1, 2018 and the estimated impact of the TCJA*

Legislative & Regulatory Updates

Federal

- America's Water Infrastructure Act

Pennsylvania

- Act 58 – Alternative Rate Making Mechanisms
- Act 120 – Allows recovery for customer side lead water service lines

California

- Monterey Peninsula Water Supply Project
- Bill 2179 – Cities may sell systems with majority vote.
- Bill 2339 – Certain cities may sell systems with no election.
- Bill 1577 – Sale of system to public water companies through an RFP process

New York

- Settlement reached with NYPSC and NYDPS

New Jersey

- Certification for Water Quality Accountability Act

Regulated Acquisitions Update

Agreement Process

Regulatory Approval & Close

Customers Served at Initial Rates

Rate Case Process

Under Agreement

≈ 56,000 PENDING
Customer Connections

20 Total Acquisitions

- PA: 5
- MO: 2
- HI: 1
- CA: 4
- IL: 2
- TN: 1
- IN: 4
- NJ: 1

Closed (through October 2018)

≈ 7,600 CLOSED
Customer Connections

8 Total Acquisitions

- IL: 4
- KY: 1
- MO: 3

Financial Results & Outlook

Linda Sullivan
Chief Financial Officer

Strong EPS Results

Third Quarter EPS Contribution By Business Segment

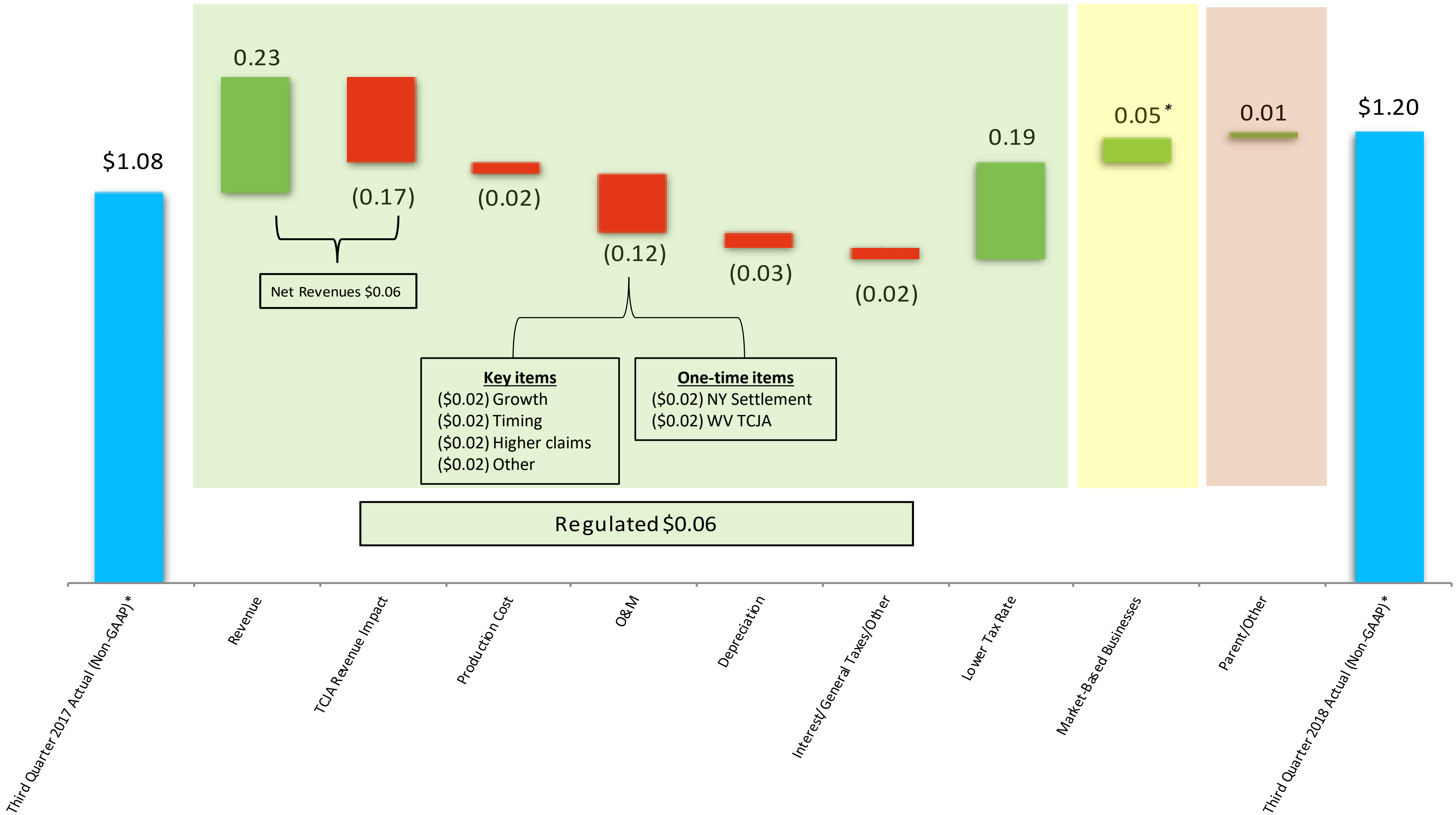
Business Segment	Q3 2018	Q3 2017	Change	% Change
Regulated	$1.18	$1.12	$0.06	5.4%
Market Based	$0.12	$0.07	$0.05	71.4%
Parent Interest & Other	($0.10)	($0.11)	$0.01	9.1%
Total Adjusted EPS*	**$1.20**	**$1.08**	**$0.12**	**11.1%**
CSG Gain on Sale	$0.06	-		
Keystone Impairment	($0.22)	-		
Freedom Industries Insurance Settlement	-	$0.07		
Early Debt Extinguishment	-	($0.02)		
Total GAAP EPS	**$1.04**	**$1.13**	**($0.09)**	**-8.0%**

First Nine Months EPS Contribution By Business Segment

Business Segment	Nine Months Ended 9/30/2018	Nine Months Ended 9/30/2017	Change	% Change
Regulated	$2.61	$2.43	$0.18	7.4%
Market Based	$0.26	$0.16	$0.10	62.5%
Parent Interest & Other	($0.26)	($0.25)	($0.01)	-4.0%
Total Adjusted EPS*	**$2.61**	**$2.34**	**$0.27**	**11.5%**
CSG Gain on Sale	$0.06	-		
Keystone Impairment	($0.22)	-		
Freedom Industries Insurance Settlement	$0.08	$0.07		
Early Debt Extinguishment	-	($0.02)		
Total GAAP EPS	**$2.53**	**$2.39**	**$0.14**	**5.9%**

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

Third Quarter Adjusted EPS* Detail by Businesses



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

Additional Details on Adjusted Earnings

2018 Third Quarter Items *(in millions)*

Events	Revenue Impact	O&M Impact	Pre Tax Impact
New York Settlement	$2.5	$2.5	$5.0
• Legal Fees & Uncollectible		$1.5	$1.5
Total			**$6.5**
West Virginia Rate Case (TCJA)	($4.0)	$4.0	$0.0

2018 Items Resolved

- New Jersey Corporate Business Tax Rate Increase
  - Exclusion for water & wastewater included in correction bill
  - No material earnings impact
- Pivotal Amortization
  - Purchase price allocation substantially complete – no front-end loading of amortization expense

2018 4th Quarter Items Pending

- Lease terminations
- Timing of expenses including repairs and maintenance, operating expenses, New Jersey tank painting, and technology projects
- HOS system integration

Tax Updates

Regulatory Status of TCJA

Tax Rate Change

Customer Rates Adjusted

- Illinois
- Indiana
- Kentucky
- Missouri
- New Jersey
- New York
- Pennsylvania
- West Virginia

Offsets Capital Investments/Regulatory Assets

- Iowa
- West Virginia

Pending

- California
- Hawaii
- Maryland
- Tennessee
- Virginia

Excess ADIT

- 5 states amortization deferred
- 9 pending

Offset Capital Investments

- West Virginia

American Water Narrows 2018 Adjusted EPS Guidance to Top Portion of Range

Guidance Excludes Non-GAAP Adjustments:

- 2018 insurance settlement related to the Freedom Industries matter: $0.08 per share **benefit**
- Gain on sale for the majority of the contracts in Contract Services Group: $0.06 per share **benefit**
- Keystone Impairment: $0.22 per share **charge**

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

Concluding Remarks

Susan Story

President and Chief Executive Officer

Strength of American Water

Disciplined Approach to Acquisitions

Top Quartile Dividend Growth with 50% – 60% Payout Ratio

Strong Balance Sheet

Consistent Earnings Growth

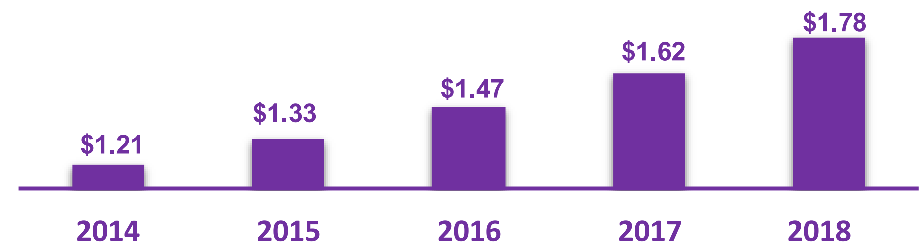
Predominantly Regulated Business ≥ 85% of EPS

Smooth Capital Deployment

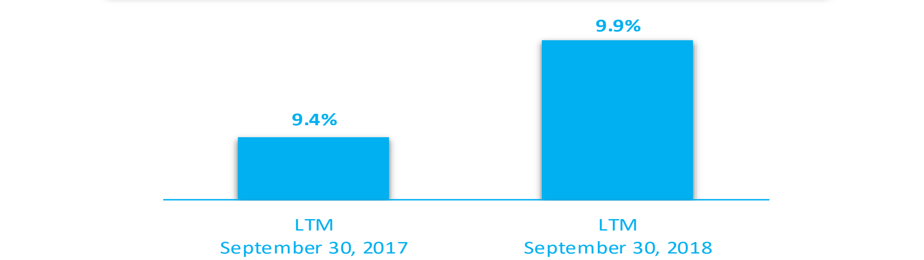
Total Shareholder Return – *as of 10/30/2018* **(Price + Dividend)**

	One Year	Three Year	Five Year
American Water	4.9%	67.3%	135.8%
UTY Index	2.6%	40.6%	66.4%
S&P 500	6.3%	37.2%	68.6%

Six Consecutive Years with ~10% Dividend Growth



AWK Adjusted Consolidated ROE*



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

PURPOSE DRIVEN. PEOPLE POWERED. CUSTOMER OBSESSED.

Q & A Session

Investor Relations Contacts

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Director, Investor Relations
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Upcoming Events

American Water 2018 Investor Day

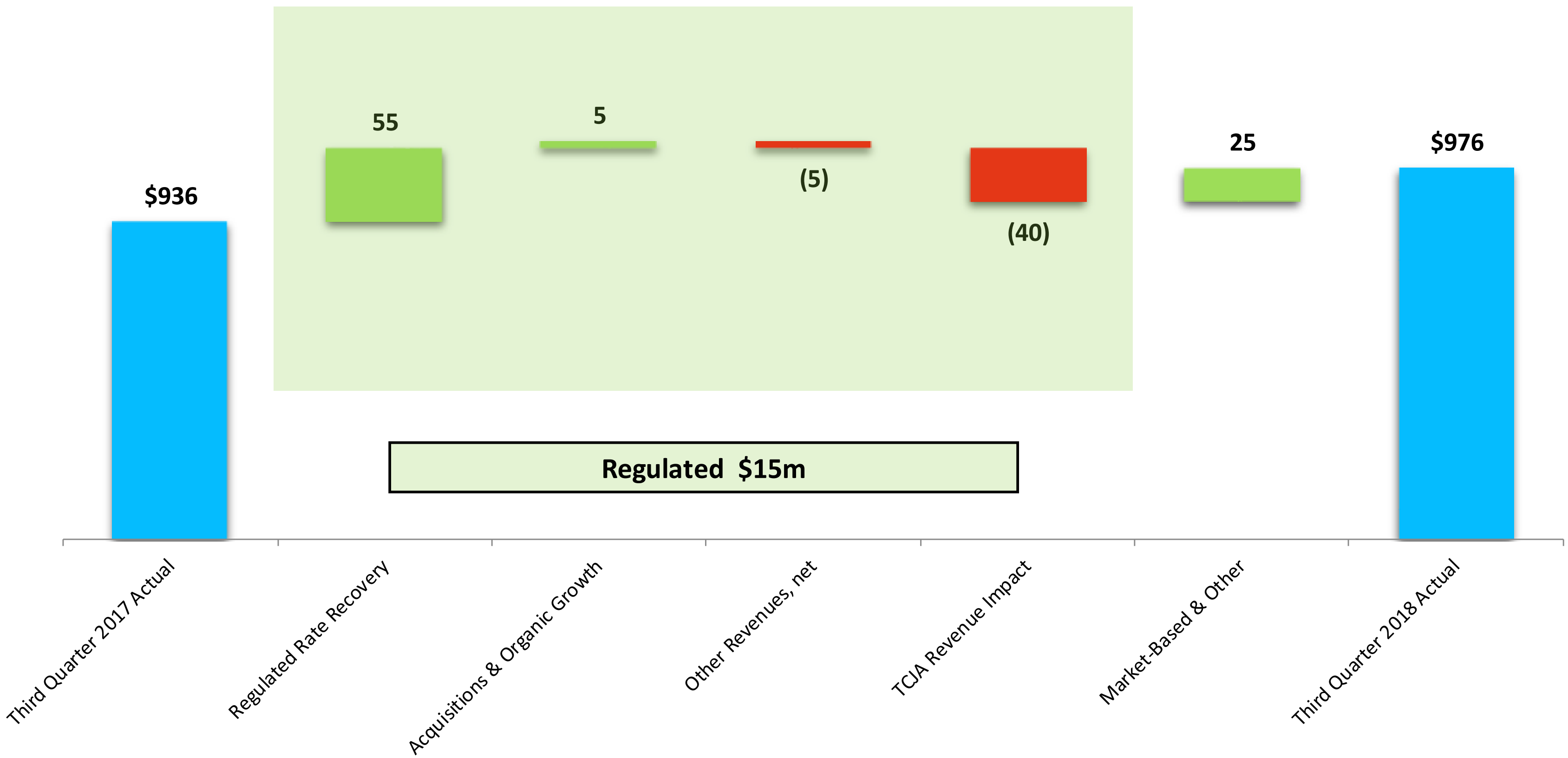
December 11, 2018
American Water Headquarters
One Water Street, Camden, NJ

To attend in person, please register at www.regonline.com/AWKinvestorday

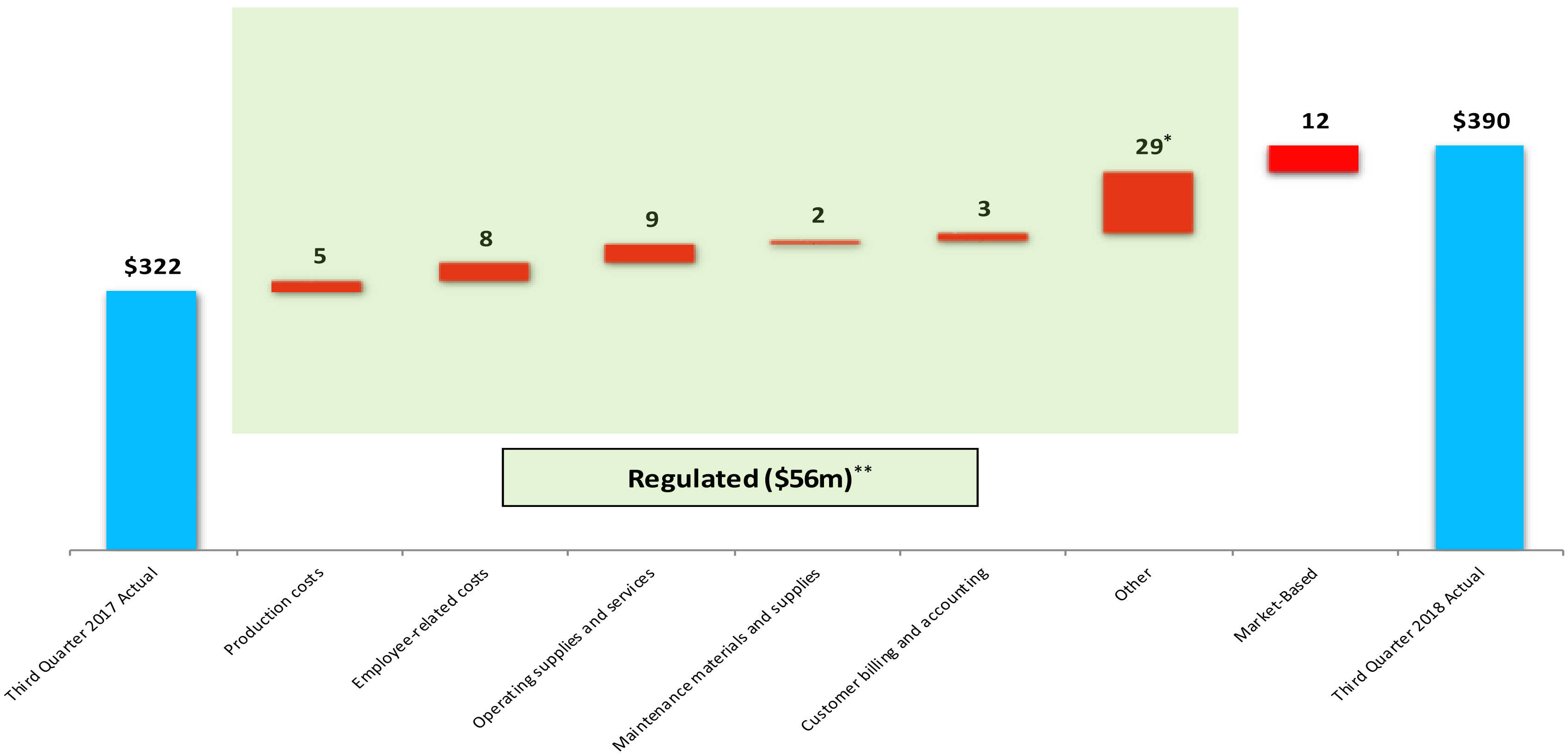
Appendix

WE KEEP LIFE FLOWING™

2018 Third Quarter Revenue Breakdown
($ in millions)



2018 Third Quarter O&M Expense Breakdown
($ in millions)



** Other includes a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia*
*** Regulated O&M includes $5 million of Growth and $5 million of timing expenses*

Rates Effective since January 1, 2018

	Date Effective	Annualized Revenue Increases Effective in 2018
Infrastructure Charges		
West Virginia (DSIC)	1/1/2018	$3
Illinois (QIP)	1/1/2018	3
Virginia (WWISC)	3/1/2018	1
Indiana (DSIC)	3/14/2018	7
Tennessee (QIIP, EDI, SEC)	4/10/2018	1
		$15
Rate Cases & Step Increases		
Pennsylvania	1/1/2018	$62 [(a)]
New York	4/1/2018	$5 [(b)]
Missouri	5/28/2018	33 [(c)]
New Jersey	10/29/2018	40 [(d)]
		$140
	Total	**$155**

(a) The revenue increase from the PA GRC of $62 million does not include $42 million DSIC revenues that were effective in 2017.
(b) Total Rate award for this rate case was $21 million with increases of $3.6, $4.8, $4.6 and $7.9 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively.
(c) The revenue increase from the MO GRC of $33 million does not include $5 million ISRS revenues that were effective in 2017.
(d) As part of the resolution of the general rate case, customers will receive refunds of that portion of the provisional rates paid since June 15, 2018 that exceed the final rate increase.

Rate Filings Awaiting Final Order

Rate Cases Filed Company	Docket / Case Number	Date Filed	Revenue Increase Adj for TCJA	ROE Requested	Rate Base
California	Case No. A.16-07-002	7/1/2016	$19 (a)	NA	$494
Maryland	Case No. 9487	6/28/2018	$2	10.80%	$28
Indiana	Case No. 45142	9/14/2018	$18 (b)	10.80%	$1,065
			$39		**$1,587**
Infrastructure Charges Filed					
Missouri (ISRS)		8/20/2018	$7		$64
			$7		**$64**
Rate Case and Infrastructue Settlements awaiting Regulatory Approval					
West Virginia	Case No. 18-0573-W-42T and 18-0576-S-42T	4/30/2018	$19 (c)		
West Virginia (DSIC)		6/29/2018	$2 (d)		
			$21		
		Total Awaiting Final Order:	**$67**		

(a) For this final application, Test Year 2018 revenue requirement request is $35 million above July 1, 2016 revenues. This excludes the step rate and attrition rate increase estimates for 2019 and 2020 of $9 million and $8 million, respectively. The total estimated revenue requirement increase 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 2018 request to $32 million of additional annualized revenues above July 1, 2016 revenues. It also includes estimated increases in the escalation year 2019 and the attrition year 2020 of $9 million and $8 million, respectively. On February 23, 2018, the Company filed a revised results of operations model in the general rate case application adjusting the 2018 request to $24 million above July 1, 2016 revenues to reflect the lower 2018 federal income tax rate. On April 6, 2018, the Company filed an update to reflect the Cost of Capital in its current case, the 2018 request was adjusted to $19 million.

(b) The requested increase for Step 1 is $18.3 million with a rate base of $1,065 million, the requested amount excludes $18.6 million in revenues from DSIC cases. The Step 2 increase is $20.6 million with a rate base of $1,222 million. The Step 1 increase is estimated to be effective in the second quarter of 2019 and Step 2 increase is estimated to be effective in the second quarter of 2020.

(c) The requested increase filed for was $33 million, which includes $4 million from DSIC cases. The major parties recently filed a joint settlement agreement, which includes a $23 million increase in revenues, including $4 million into base rates from the 2017 and 2018 DSICs.

(d) The 2019 Distribution System Improvement Charge (DSIC) requested increase of approximately $2M was agreed to as filed which will be used to offset the Company's excess deferred income tax amortization.

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)	$1,249,293 (b)
Authorized ROE	9.20% (a)	9.79%	9.75%	9.70% (e)	10.00% (e)
Authorized Equity	55.39% (a)	49.80%	41.55% (c)	47.36% (d)	52.80% (d)
Effective Date of Rate Case	1/1/2018 (a)	1/1/2017	1/29/2015	8/28/2016	5/28/2018

	New Jersey American Water	New York American Water	Pennsylvania American Water	Virginia American Water	West Virginia American Water
Authorized Rate Base*	$2,950,471	$275,463	$3,162,597 (b)	$155,747	$529,212
Authorized ROE	9.60%	9.10%	10.00% (e)	9.25%	9.75%
Authorized Equity	54.00%	46.00%	53.75% (d)	46.09%	45.84%
Effective Date of Rate Case	10/29/2018 (g)	6/1/2017	1/1/2018	5/24/2017 (f)	2/25/2016

**Rate Base stated in $000s*

Notes:

a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding.

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

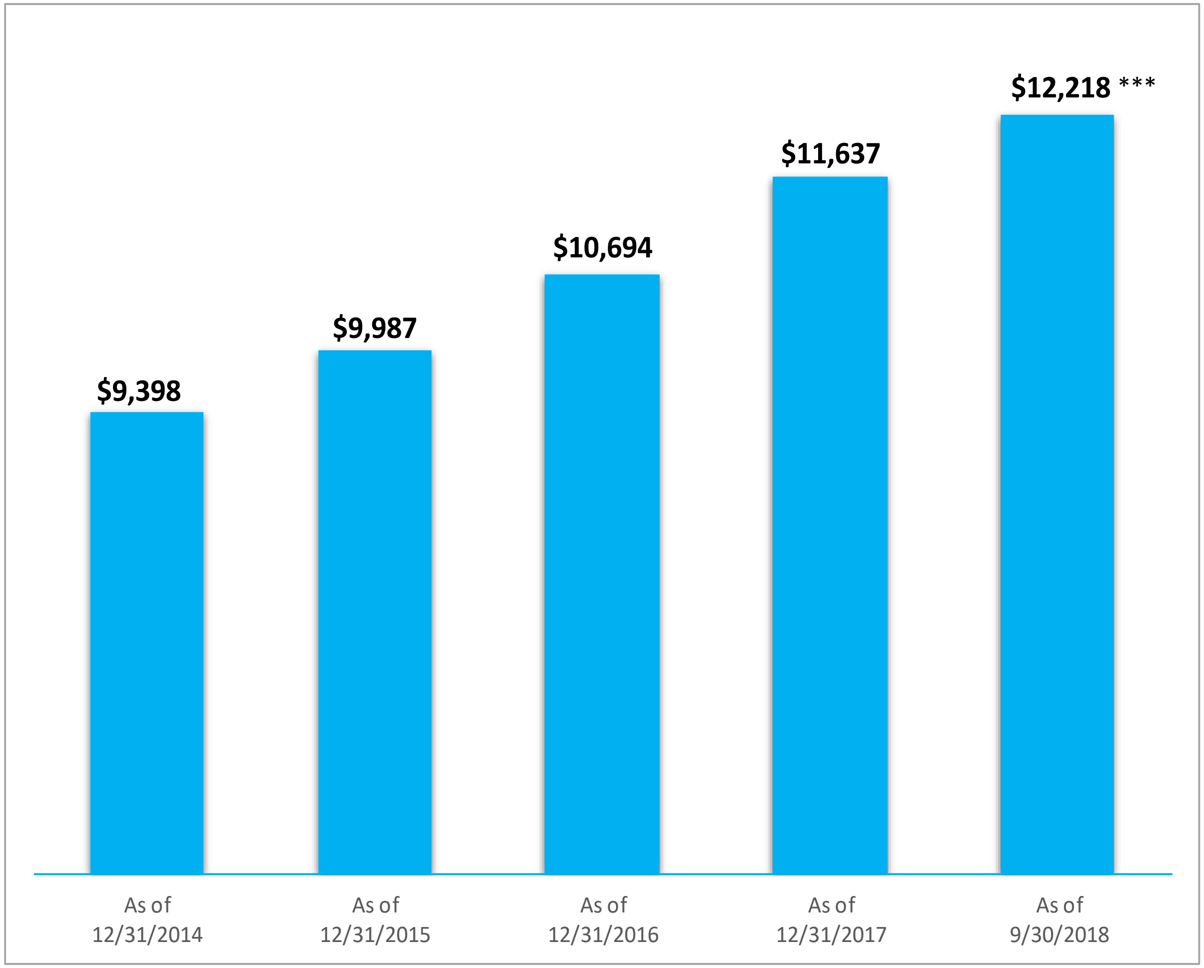
d) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

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.

g) Interim rates were effective June 15, 2018 and final rates effective October 29, 2018.

Rate Base Calculation*
($ in millions)



Estimated Rate Base*	As of 9/30/2018
Net Utility Plant	$16,739
Less	
Advances for Construction	259
CIAC – Contributions in Aid of Construction	1,312
Net Deferred income taxes**	2,929
Deferred investment tax credits	21
	$4,521
Total Estimated Rate Base	**$12,218** ***

** 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*
**** Does not include New Jersey rate case that was settled on October 29,2018 with effective rates as of 6/15/2018*

Closed and Pending Acquisitions as of October 31, 2018

2018 Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
Illinois	4	2,469	2,350	4,819
Missouri	3	1,087	1,110	2,197
Kentucky	1	610	-	610
Total	**8**	**4,166**	**3,460**	**7,626**

Acquisitions Under Agreement

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
Pennsylvania	5	320	10,277	10,597
California	4	8,629	-	8,629
Indiana	4	7,415	1,250	8,665
Illinois	2	492	23,482	23,974
Missouri	2	126	85	211
Hawaii	1	-	217	217
New Jersey	1	3,945	-	3,945
Tennessee	1	110	-	110
Total	**20**	**21,037**	**35,311**	**56,348**

Reconciliation Table:
Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) ***($ in millions)***	**FY 2012**	**FY 2014**	**FY 2016**	**FY 2017**	**LTM 9/30/2017**	**LTM 9/30/2018**
Total operations and maintenance expense	$1,330	$1,350	$1,504	$1,378	$1,377	$1,451
Less:						
Operations and maintenance expense – Market Based Operations	256	289	372	337	334	346
Operations and maintenance expense – Other	(56)	(51)	(44)	(50)	(40)	(40)
Total operations and maintenance expense – Regulated Businesses	**$1,130**	**$1,112**	**$1,176**	**$1,091**	**$1,083**	**$1,145**
Less:						
Regulated purchased water expense	110	122	122	128	124	134
Allocation of non-operation and maintenance expenses	35	39	30	29	29	30
Freedom Industries chemical spill in West Virginia	-	10	-	-	-	-
Impact of Freedom Industries settlement activities	-	-	65	(22)	(22)	(20)
Estimated impact of weather	5	(2)	-	-	-	-
Adjusted operations and maintenance expense – Regulated Businesses (a)	**$980**	**$943**	**$959**	**$956**	**$952**	**$1,001**
Total operating revenues	$2,854	$3,011	$3,302	$3,357	$3,338	$3,410
Less pro forma adjustment:						
Pro forma adjustment for impact of the TCJA**	-	-	-	-	165	40
Total pro forma operating revenues	**$2,854**	**$3,011**	**$3,302**	**$3,357**	**$3,173**	**$3,370**
Less:						
Operating Revenues – Market Based Operations	307	355	451	422	419	455
Operating Revenues – Other	(17)	(18)	(20)	(23)	(23)	(22)
Total pro forma operating revenues – Regulated Businesses	**$2,564**	**$2,674**	**$2,871**	**$2,958**	**$2,777**	**$2,937**
Less:						
Regulated Purchased Water expense*	110	122	122	128	124	134
Plus:						
Freedom Industries chemical spill in West Virginia	-	1	-	-	-	-
Estimated impact of weather	(47)	17	-	-	-	-
Adjusted pro forma operating revenues—Regulated Businesses (b)	**$2,407**	**$2,570**	**$2,749**	**$2,830**	**$2,653**	**$2,803**
Adjusted O&M efficiency ratio—Regulated Businesses (a)/(b)	**40.7%**	**36.7%**	**34.9%**	**33.8%**	**35.9%**	**35.7%**

Adjusted operations and maintenance expense – Regulated Businesses	**$980**	**$943**	**$959**	**$956**
Less:				
Impact of adoption of ASU 2017-07	39	(8)	12	15
Adjusted operations and maintenance expense – Regulated Businesses (c)	**$941**	**$951**	**$947**	**$941**
Adjusted operating revenues—Regulated Businesses	**$2,407**	**$2,570**	**$2,749**	**$2,830**
Less pro forma adjustment:				
Pro forma adjustment for impact of the TCJA**	112	137	155	168
Adjusted pro forma operating revenues—Regulated Businesses (d)	**$2,294**	**$2,433**	**$2,594**	**$2,662**
Adjusted O&M efficiency ratio—Regulated Businesses (c)/(d)	**41.0%**	**39.1%**	**36.5%**	**35.4%**

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

	LTM September 30, 2017	LTM September 30, 2018
Net Income	$528	$454
Adjustments:		
Impact of Freedom Industries litigation settlement activities	(22)	(20)
Debt Extinguishment	6	-
Net Keystone Impairment	-	54
CSG Gain on Sale	-	(14)
Tax Impact for items above	7	(6)
Tax Reform	-	125
Adjusted Net Income from Continuing Operations (a)	**$519**	**$593**
Stockholders' equity	$5,518	$5,860
Adjustments:		
Impact of Freedom Industries litigation settlement activities	(22)	(20)
Debt Extinguishment	6	-
Keystone Impairment	-	54
CSG Gain on Sale	-	(14)
Tax Impact for items above	7	(6)
Tax Reform	-	125
Adjusted Stockholders' Equity (b)	**$5,509**	**$5,999**
Adjusted Return on Equity (a/b)	**9.4%**	**9.9%**

Reconciliation Table: Adjusted Earnings Per Share

Consolidated EPS	For the Three Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage	For the Nine Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common stockholders	**$ 1.04**	**$ 1.13**	**$ (0.09)**		**$ 2.53**	**$ 2.39**	**$ 0.14**	
Non-GAAP adjustments:								
Gain on sale of portion of Contract Operations Group contracts	(0.08)	-	(0.08)		(0.08)	-	(0.08)	
Income tax impact	0.02	-	0.02		0.02	-	0.02	
Net non-GAAP adjustment	(0.06)	-	(0.06)		(0.06)	-	(0.06)	
Impairment charges	0.31	-	0.31		0.31	-	0.31	
Income tax impact	(0.08)	-	(0.08)		(0.08)	-	(0.08)	
Net loss attributable to noncontrolling interest	(0.01)	-	(0.01)		(0.01)	-	(0.01)	
Net non-GAAP adjustment	0.22	-	0.22		0.22	-	0.22	
Impact of Freedom Industries settlement activities	-	(0.12)	0.12		(0.11)	(0.12)	0.01	
Income tax impact	-	0.05	(0.05)		0.03	0.05	(0.02)	
Net non-GAAP adjustment	-	(0.07)	0.07		(0.08)	(0.07)	(0.01)	
Early debt extinguishment at the parent company	-	0.03	(0.03)		-	0.03	(0.03)	
Income tax impact	-	(0.01)	0.01		-	(0.01)	0.01	
Net non-GAAP adjustment	-	0.02	(0.02)		-	0.02	(0.02)	
Total net non-GAAP adjustments	0.16	(0.05)	0.21		0.08	(0.05)	0.13	
Adjusted diluted earnings per share (non-GAAP)	**$ 1.20**	**$ 1.08**	**$ 0.12**	**11.1%**	**$ 2.61**	**$ 2.34**	**$ 0.27**	**11.5%**

Reconciliation Table: Adjusted Earnings Per Share by Segment

Regulated Businesses EPS	For the Three Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage	For the Nine Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common stockholders	**$ 1.18**	**$ 1.19**	**$ (0.01)**		**$ 2.69**	**$ 2.50**	**$ 0.19**	
Non-GAAP adjustments:								
Impact of Freedom Industries settlement activities	-	(0.12)	0.12		(0.11)	(0.12)	0.01	
Income tax impact	-	0.05	(0.05)		0.03	0.05	(0.02)	
Net non-GAAP adjustment	-	(0.07)	0.07		(0.08)	(0.07)	(0.01)	
Adjusted diluted earnings per share (non-GAAP)	**$ 1.18**	**$ 1.12**	**$ 0.06**	**5.4%**	**$ 2.61**	**$ 2.43**	**$ 0.18**	**7.4%**

Market-Based Businesses EPS	For the Three Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage	For the Nine Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common stockholders	**$ (0.04)**	**$ 0.07**	**$ (0.11)**		**$ 0.10**	**$ 0.16**	**$ (0.06)**	
Non-GAAP adjustments:								
Gain on sale of portion of Contract Operations Group contracts	(0.08)	-	(0.08)		(0.08)	-	(0.08)	
Income tax impact	0.02	-	0.02		0.02	-	0.02	
Net non-GAAP adjustment	(0.06)	-	(0.06)		(0.06)	-	(0.06)	
Impairment charges	0.31	-	0.31		0.31	-	0.31	
Income tax impact	(0.08)	-	(0.08)		(0.08)	-	(0.08)	
Net loss attributable to noncontrolling interest	(0.01)	-	(0.01)		(0.01)	-	(0.01)	
Net non-GAAP adjustment	0.22	-	0.22		0.22	-	0.22	
Adjusted diluted earnings per share (non-GAAP)	**$ 0.12**	**$ 0.07**	**$ 0.11**	**71.4%**	**$ 0.26**	**$ 0.16**	**$ 0.16**	**62.5%**

Parent Company EPS	For the Three Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage	For the Nine Months Ended September 30, 2018	2017	2018 vs. 2017	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common stockholders	**$ (0.10)**	**$ (0.13)**	**$ 0.03**		**$ (0.26)**	**$ (0.27)**	**$ 0.01**	
Non-GAAP adjustments:								
Early debt extinguishment at the parent company	-	0.03	(0.03)		-	0.03	(0.03)	
Income tax impact	-	(0.01)	0.01		-	(0.01)	0.01	
Net non-GAAP adjustment	-	0.02	(0.02)		-	0.02	(0.02)	
Adjusted diluted earnings per share (non-GAAP)	**$ (0.10)**	**$ (0.11)**	**$ 0.01**	**9.1%**	**$ (0.26)**	**$ (0.25)**	**$ (0.01)**	**-4.0%**

Reconciliation Table: Guidance Range

2018 EPS Guidance Range

	Low End	High End
Diluted earnings per share:		
Earnings guidance range (GAAP)	**$ 3.19**	**$ 3.24**
Non-GAAP adjustments:		
Gain on sale of portion of Contract Operations Group contracts	(0.08)	(0.08)
Income tax impact	0.02	0.02
Net non-GAAP adjustment	(0.06)	(0.06)
Impairment charges	0.31	0.31
Income tax impact	(0.08)	(0.08)
Net loss attributable to noncontrolling interest	(0.01)	(0.01)
Net non-GAAP adjustment	0.22	0.22
Impact of Freedom Industries settlement activities	(0.11)	(0.11)
Income tax impact	0.03	0.03
Net non-GAAP adjustment	(0.08)	(0.08)
Total net non-GAAP adjustments	0.08	0.08
Adjusted earnings guidance range (non-GAAP)	**$ 3.27**	**$ 3.32**