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# 2018 Fourth Quarter and Year-End Earnings Conference Call

Updated slide 32 as of 05/01/2019

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## Forward-Looking Statements

# Ed Vallejo

**Vice President, Investor Relations**

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# Forward-Looking Statements

## Safe Harbor

This presentation includes 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. 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 presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation, in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 19, 2019.

## Non-GAAP Financial Information

This presentation includes non-GAAP financial measures. Further information regarding these non-GAAP financial measures, including a reconciliation of each of these measures to the most directly comparable GAAP measure, is included in the Appendix to this presentation.

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## Strategy Overview

# Susan Story

**President and Chief Executive Officer**

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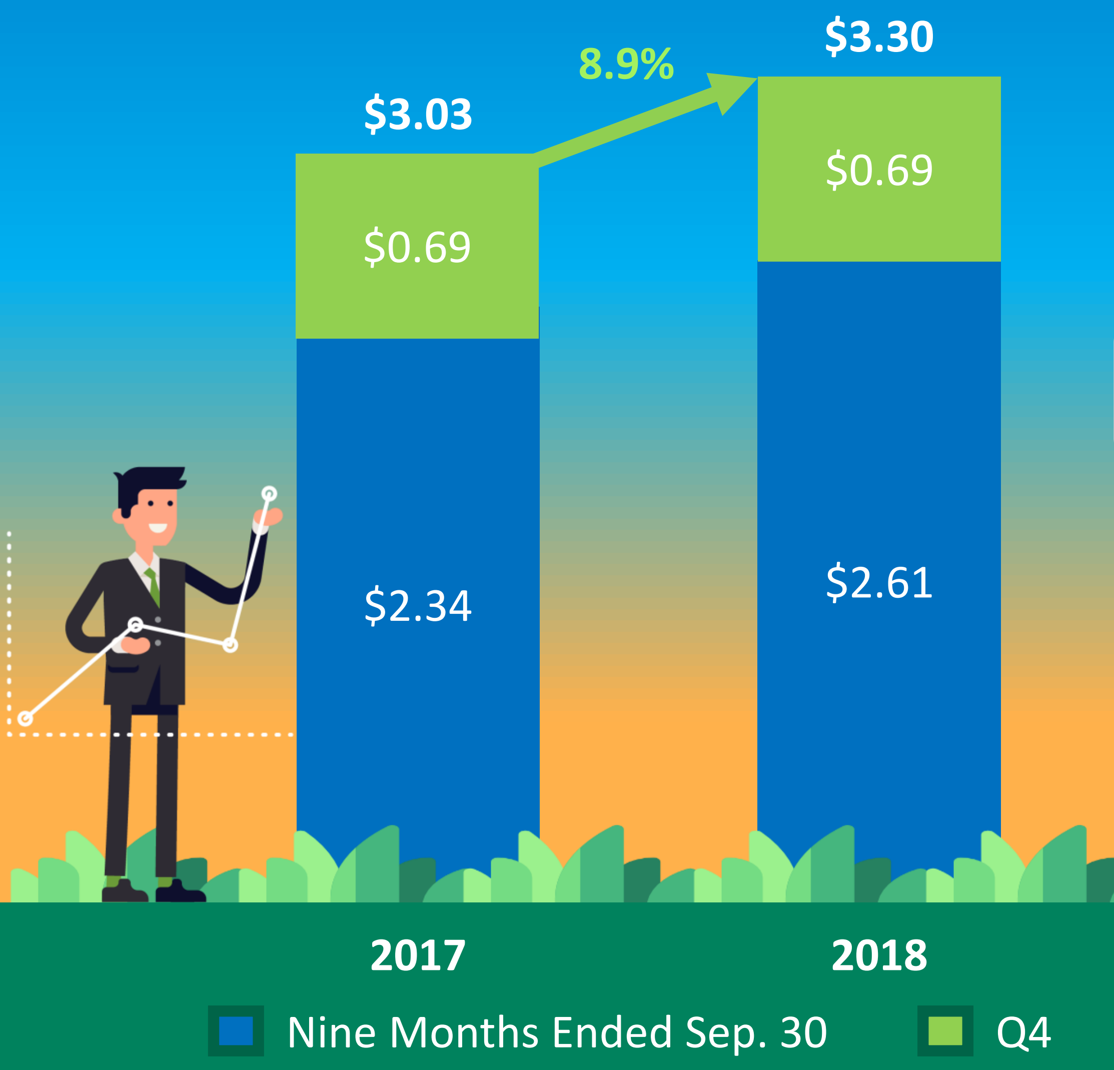
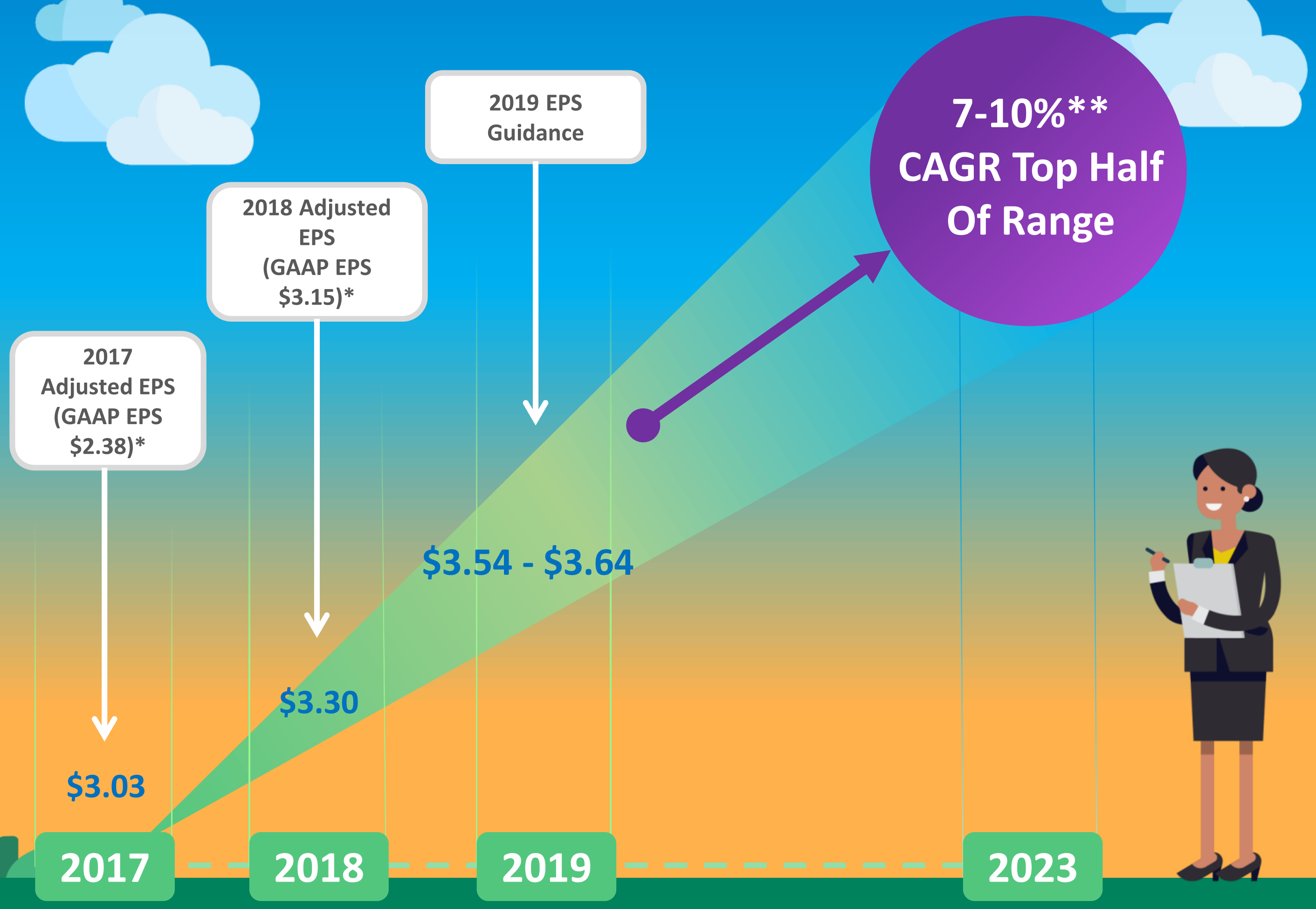
# Strong Full Year Adjusted Results
# Affirming 2019 and Long Term Guidance

## Adjusted Earnings Per Share*




## 2019 – 2023 Long Term EPS CAGR Guidance**

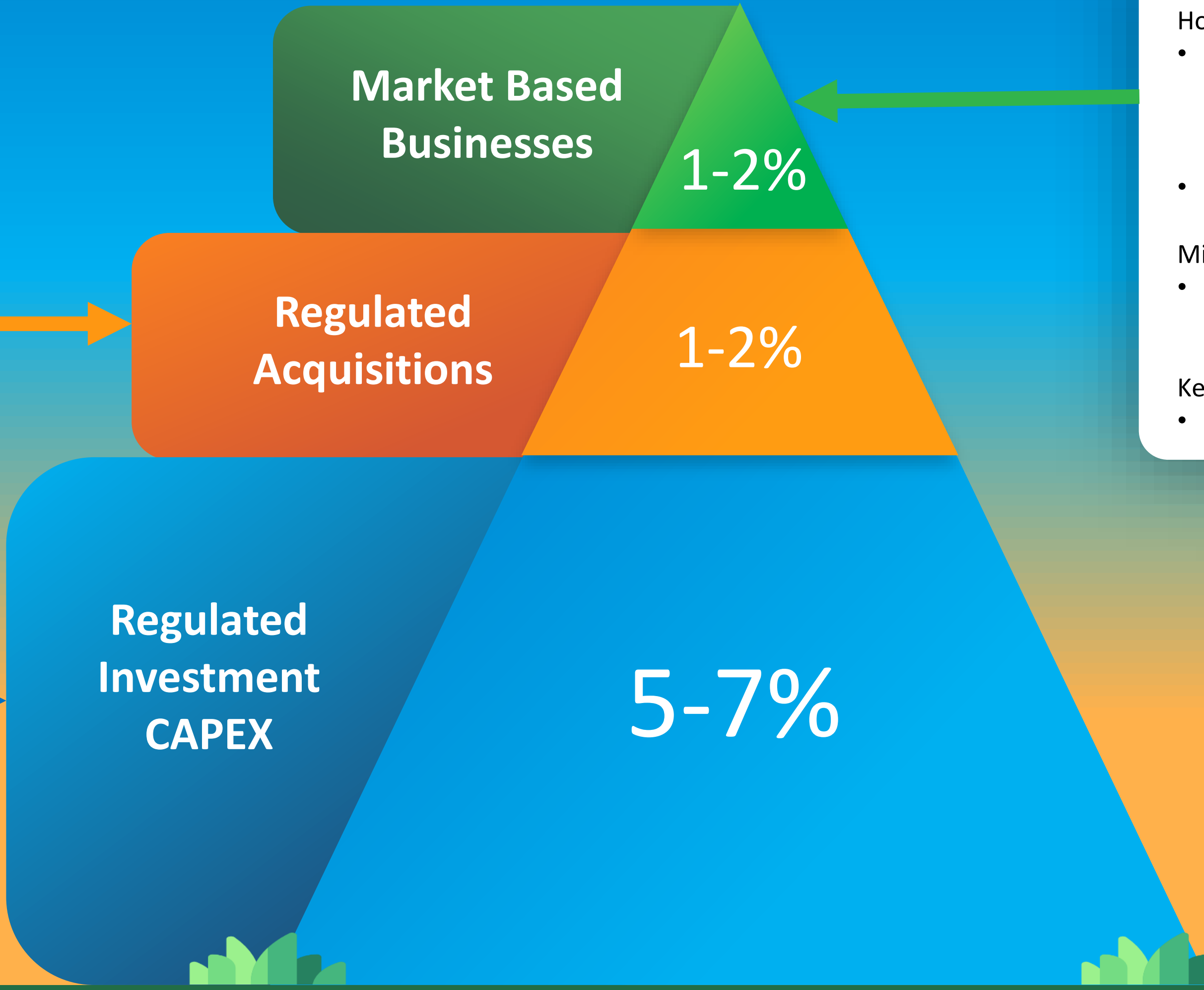



** Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.*

*** Long Term EPS reflects 2019 – 2023 EPS CAGR goal in the top half of 7-10%, anchored off of 2017 Adjusted EPS (a non-GAAP measure).*

# Our Regulated Business Remains the Foundation of our *Long Term Growth Strategy*

2019-2023 Plan*
7-10% EPS CAGR Top Half of range




### 2018 Regulated Acquisitions

- Closed 14,000 customer connections
- Signed and pending 61,000 customer connections
- Strong pipeline identified

### 2018 Regulated Investment

- $1.5 billion capex invested
- Organic growth 11,000 customer connections
- 35.6%** O&M efficiency
- Deployed and developed technology to improve service & reliability

### 2018 Market Based Businesses

Homeowner Services
- Successful acquisition and integration of Pivotal Home Solutions
- Won five major partnerships

Military Services
- Fort Leonard Wood contract awarded

Keystone
- Positioned for growth

** Growth triangle reflects 2019 – 2023 EPS CAGR goal of 7-10% anchored from FY 2017.*
*** For 12-months ended Dec 31, 2018. Non-GAAP measure: please see reconciliation table in appendix.*

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## The Regulated Businesses

# Walter Lynch

**Chief Operating Officer**

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# *Regulated* Rate Cases Resolved

## 2018

### New Jersey Rate Case – Rates Effective on October 29

- Decision on October 29, 2018
- Capital Investment of ~$868 million, including DSIC
- ROE 9.6% with Equity of 54%
- Acquisition adjustment: hearings expected mid-March

### Pennsylvania Rate Case – Rates Effective on January 1

- Decision on December 7, 2017
- Capital Investment of ~$1.3 billion, including DSIC
- ROE 10% with Equity of 53.75%

### Missouri Rate Case – Rates Effective on May 28

- Decision on May 2, 2018
- Capital Investment of ~$255 million, including ISRS
- ROE 10% with Equity of 52.80%

### California Rate Case – Rates Effective on January 1

- Decision on December 13, 2018
- Capital Investment of ~$171 million
- ROE 9.2% with Equity of 55% (Part of Cost of Capital decision)
- Monterey Peninsula Water Supply Project approval; continued commitment to Desalination Project

## 2019

### West Virginia Rate Case – Rates Effective on February 25

- Decision on Feb 8, 2019
- Capital Investment of ~$200 million, including DSIC
- ROE ~9.75% with Equity of 48.40%

### Maryland Rate Case – Rates Effective on February 5

- Decision on February 5, 2019
- Capital Investment of ~$18 million
- Estimated ROE 9.9% with Equity of 48.66%
- Full recovery of reservoir project

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# 2018 Legislative Updates

## Indiana
- Act 362 - Ensuring the long-term viability of water and wastewater utilities

## Pennsylvania
- Act 120 - Allows recovery for customer side lead water service lines
- Act 58 - Allows alternative rate making mechanisms
- Act 12 - Fair Market Value constructively clarified

## Illinois
- Extension & expansion of Fair Market Value from 5 years to 10 Years

## Missouri
- Allows Revenue Stabilization Mechanism (RSM)
- Asset sale option for more than 500 small towns

## Maryland
- Fair Market Value

## Iowa
- Future test year approach in rate cases
- Fair Market Value

## California
- 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

## Federal
- America's Water Infrastructure Act

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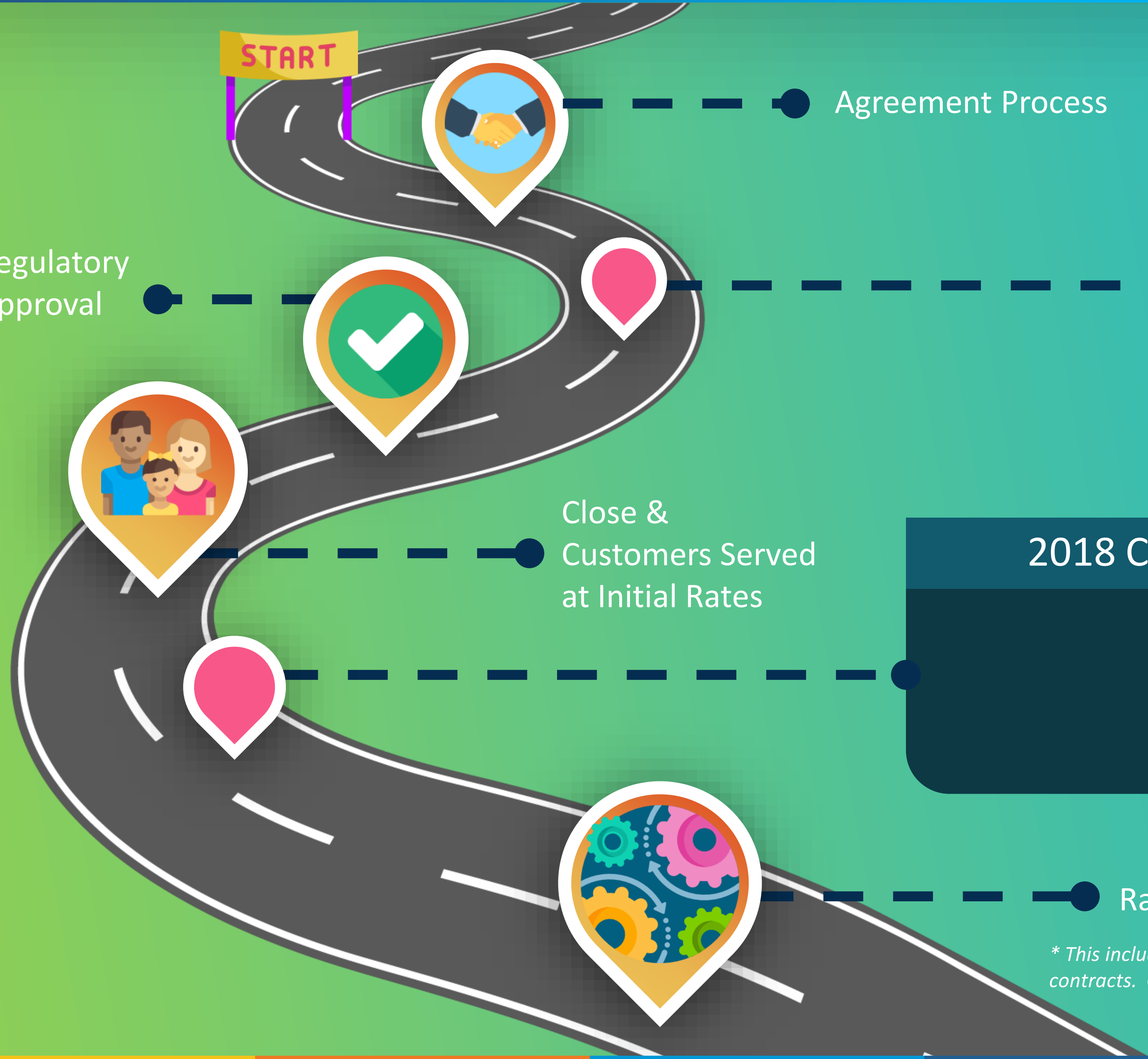
# *Regulated* Acquisitions Update




Agreement Process

Regulatory Approval

Close & Customers Served at Initial Rates

Rate Case Process

## Signed and Pending

≈ 61,000* PENDING Customer Connections

**23 Total Acquisitions**

| | | |
|---|---|---|
| CA: 4 | KY: 1 | TN: 1 |
| HI: 1 | PA: 7 | WV: 1 |
| IL: 3 | MO: 2 | |
| IN: 2 | NJ: 1 | |

## 2018 Closed ≈**14,000** Customer Connections

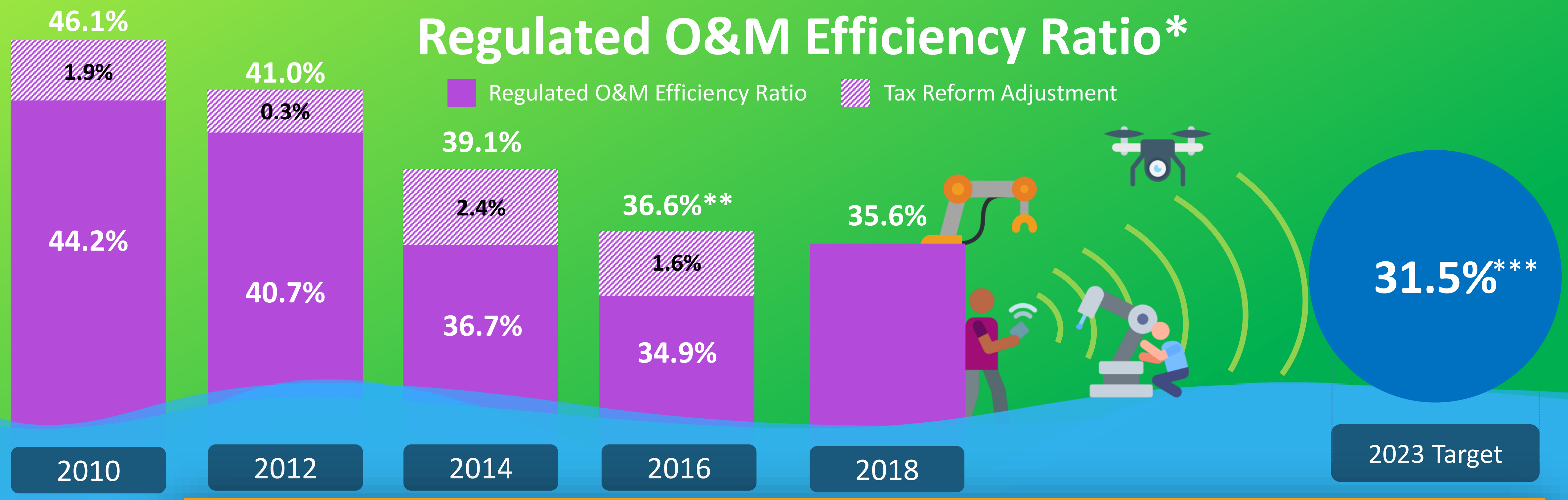
**Fourth Quarter Activity**

| | |
|---|---|
| Roxbury, NJ | Sheridan, IN |
| **4,000** | **2,500** |

** This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000*

# Efficiency through Technology

## Regulated O&M Efficiency Ratio*




### Adjusted Operation and Maintenance Expense* ($ in millions)

| 2012 | 2014 | 2016 | 2018 |
|---|---|---|---|
| $980 | $943 | $948 | $1,015 |

**2012-2018**

**0.6% 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*
*** Amounts may not sum due to rounding*
**** A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort*

# Fourth Quarter Highlights


**Monterey Peninsula Water Supply Project**

**Maryland Bel Air Reservoir completion**

WIFIA PROGRAM

*Water Infrastructure Finance & Innovation Act*

**WIFIA funding for Joplin and St. Louis projects**

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## 2018 Financial Results & Long Term Outlook

# Linda Sullivan

**Chief Financial Officer**

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# Continued Execution of Company Strategy

## 4Q 2018

### Contribution by Business

| | 2018 | 2017 | Change | % Change |
|---|---|---|---|---|
| Regulated | $0.71 | $0.66 | $0.05 | 7.6% |
| Market Based | $0.07 | $0.08 | ($0.01) | (12.5%) |
| Parent & Other | ($0.09) | ($0.05) | ($0.04) | 80.0% |
| **Total Adjusted EPS*** | **$0.69** | **$0.69** | **$0.00** | **0.0%** |
| Re-measurement from Tax Reform | ($0.07) | ($0.70) | $0.63 | |
| **Total GAAP EPS** | **$0.62** | **($0.01)** | **$0.63** | |

## Full Year 2018

### Contribution by Business

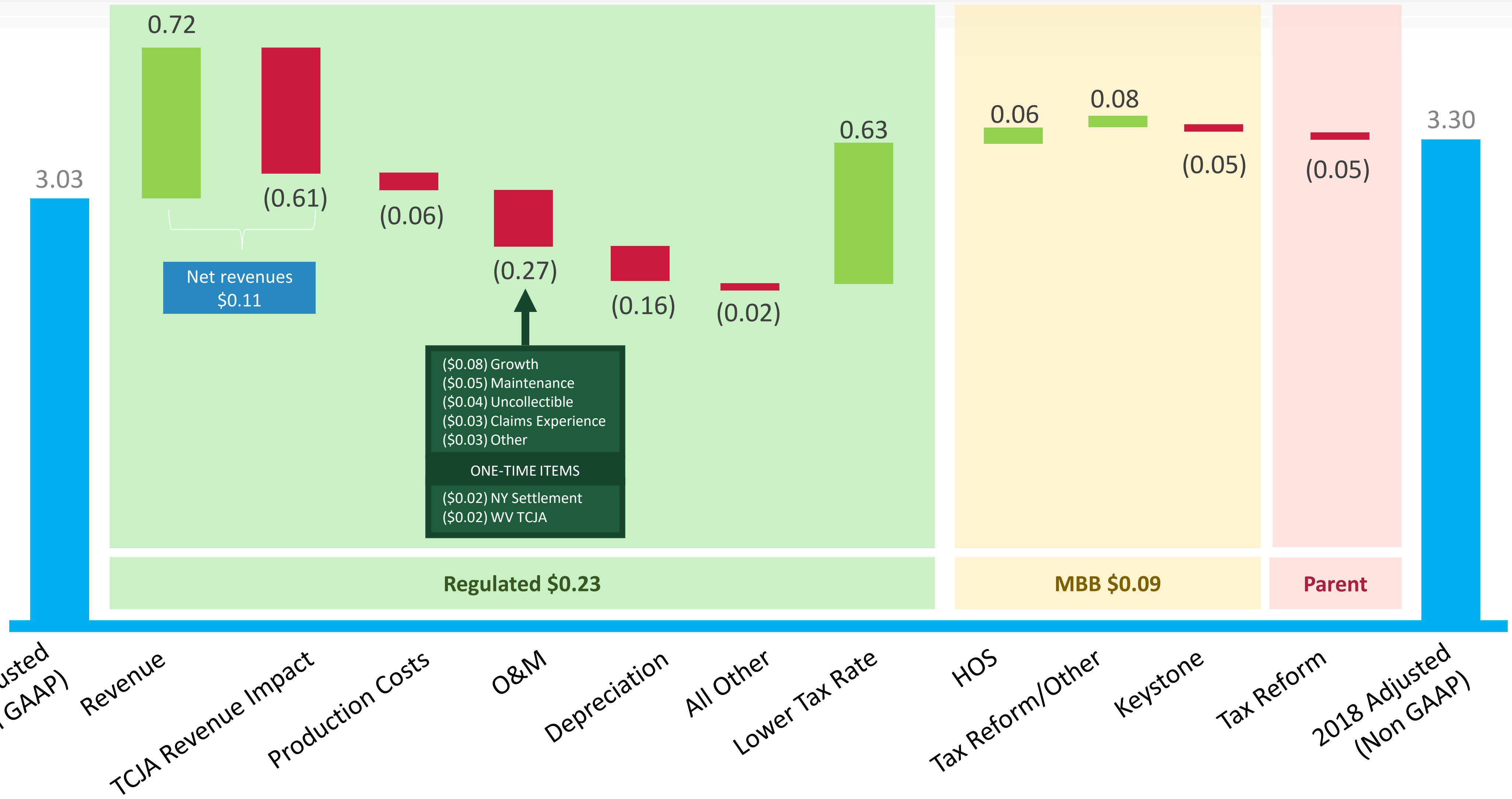
| | 2018 | 2017 | Change | %Change |
|---|---|---|---|---|
| Regulated | $3.32 | $3.09 | $0.23 | 7.4% |
| Market Based | $0.33 | $0.24 | $0.09 | 37.5% |
| Parent & Other | ($0.35) | ($0.30) | ($0.05) | 16.9% |
| **Total Adjusted EPS*** | **$3.30** | **$3.03** | **$0.27** | **8.9%** |
| Re-measurement from Tax Reform | ($0.07) | ($0.70) | $0.63 | |
| Contract Services Gain on Sale | $0.06 | | $0.06 | |
| Keystone Impairment | ($0.22) | | ($0.22) | |
| Freedom Industries Insurance Settlement | $0.08 | $0.07 | $0.01 | |
| Early Debt Extinguishment at Parent | | ($0.02) | $0.02 | |
| **Total GAAP EPS** | **$3.15** | **$2.38** | **$0.77** | |

** Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.*

# Fourth Quarter 2018 *Adjusted* **EPS** *Detail* by Business*


** Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.*

# Full Year 2018 Adjusted EPS Detail by Business*

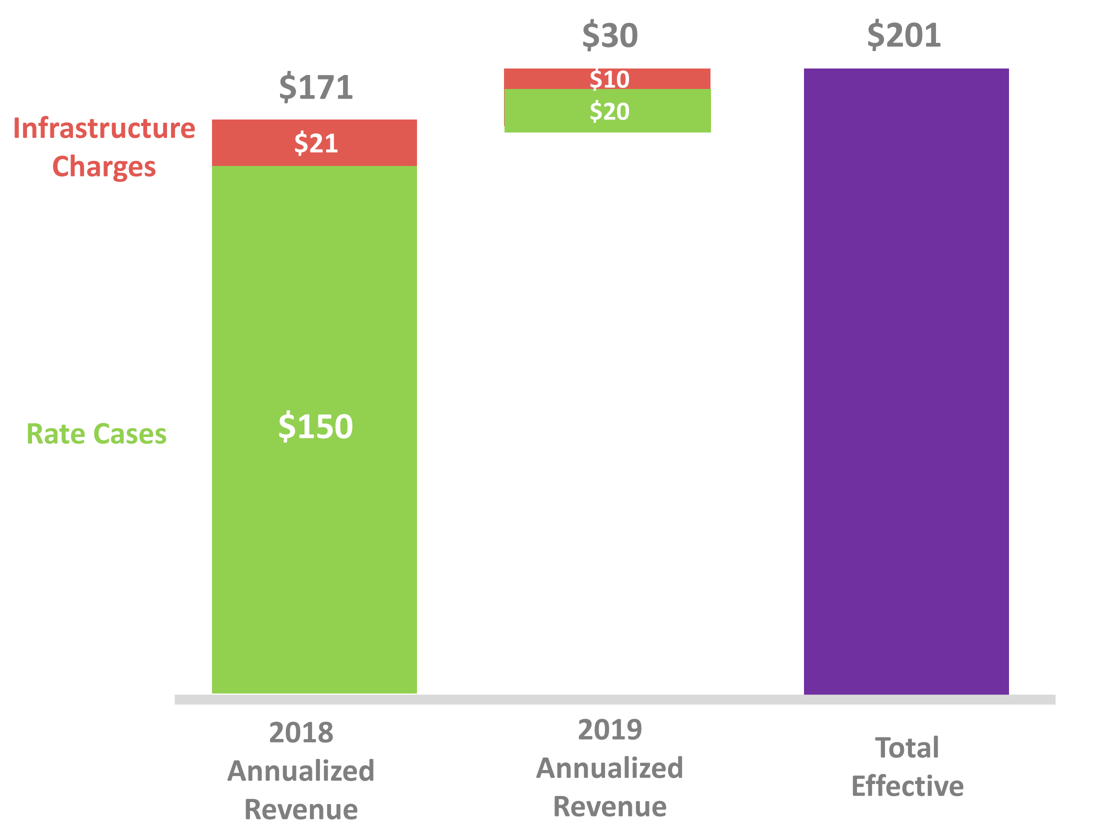



* Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.

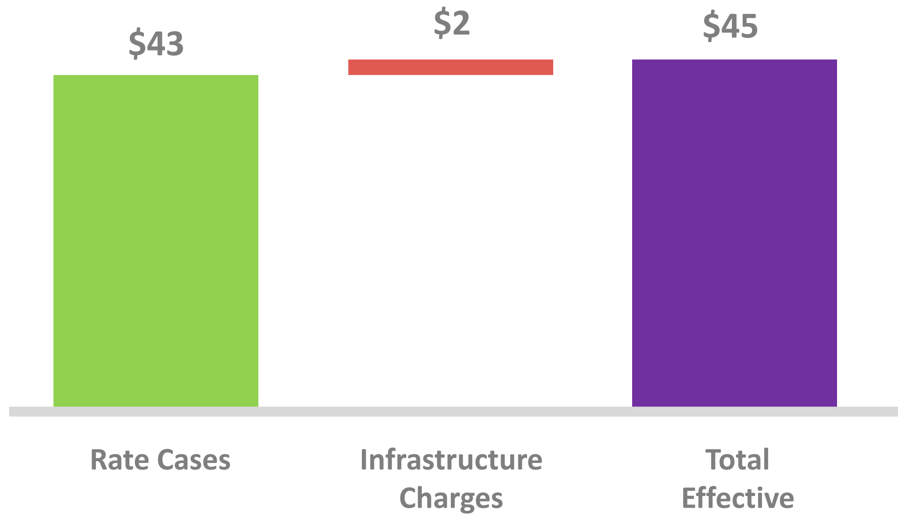
# Rate Filings Completed and *Awaiting Final Order*

($ in millions)

## Rate Filings Completed*




## Requested Revenue Awaiting Final Order




*Annualized Revenue Increase for Rates Effective Since January 1*

# Creating Customer and Shareholder Value

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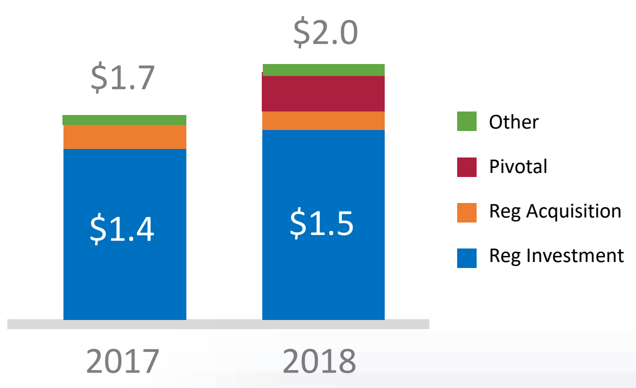
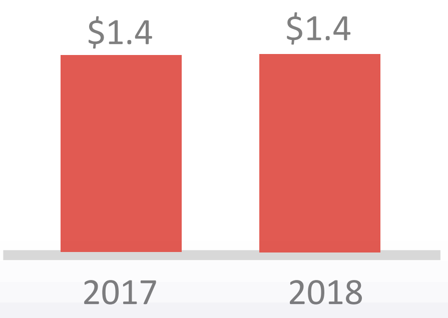
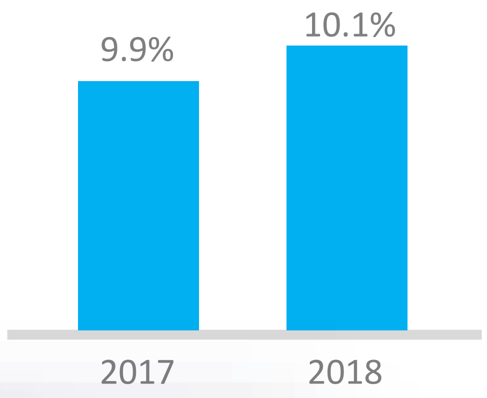
## Capital Investment
(in billions)




## Cash Flow from Operations
(in billions)

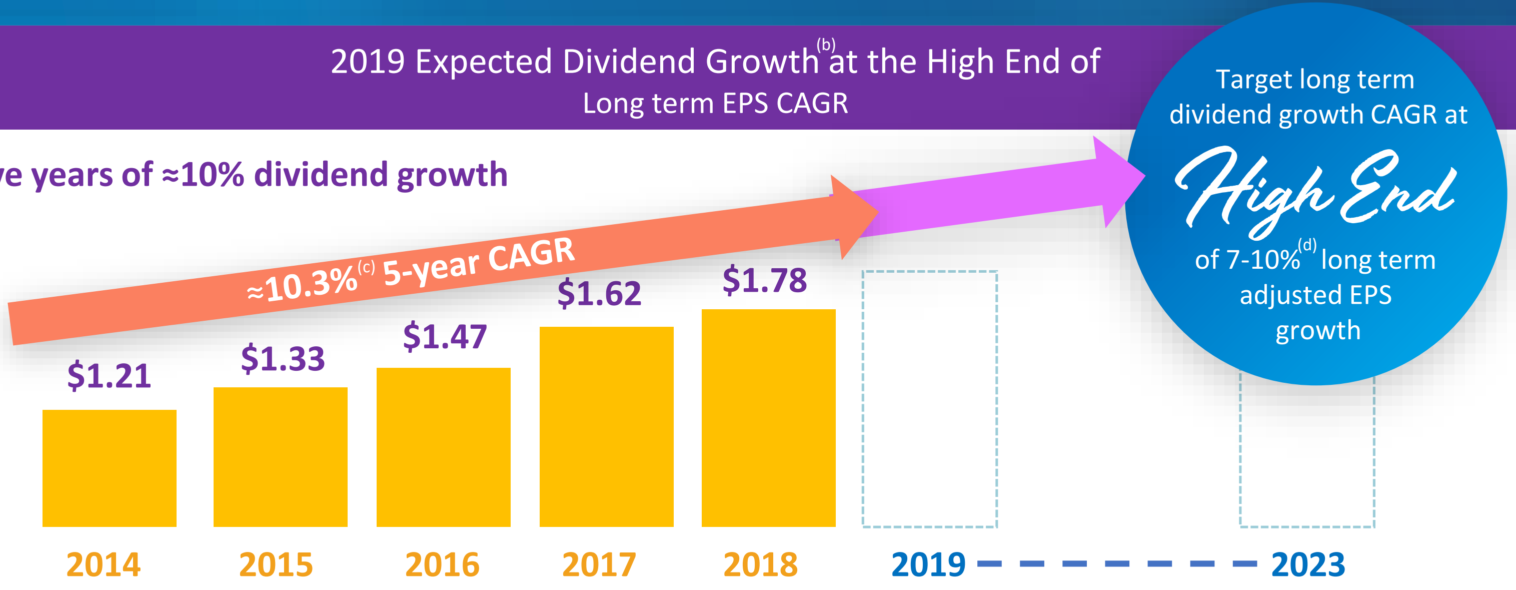



## AWK Shareholder Value
*Adjusted Return on Equity* [a]




## 2019 Expected Dividend Growth [b] at the High End of Long term EPS CAGR

**6 consecutive years of ≈10% dividend growth**




[a] *Adjusted return on equity (includes both Regulated and Market-based Businesses) is a non-GAAP measure. Please see reconciliation table in appendix.*

[b] *Future dividends are subject to approval of the American Water Board of Directors.* [c] *Anchored off of 2013 dividends paid.* [d] *Anchored off of 2017 Adjusted EPS (a non-GAAP measure).*

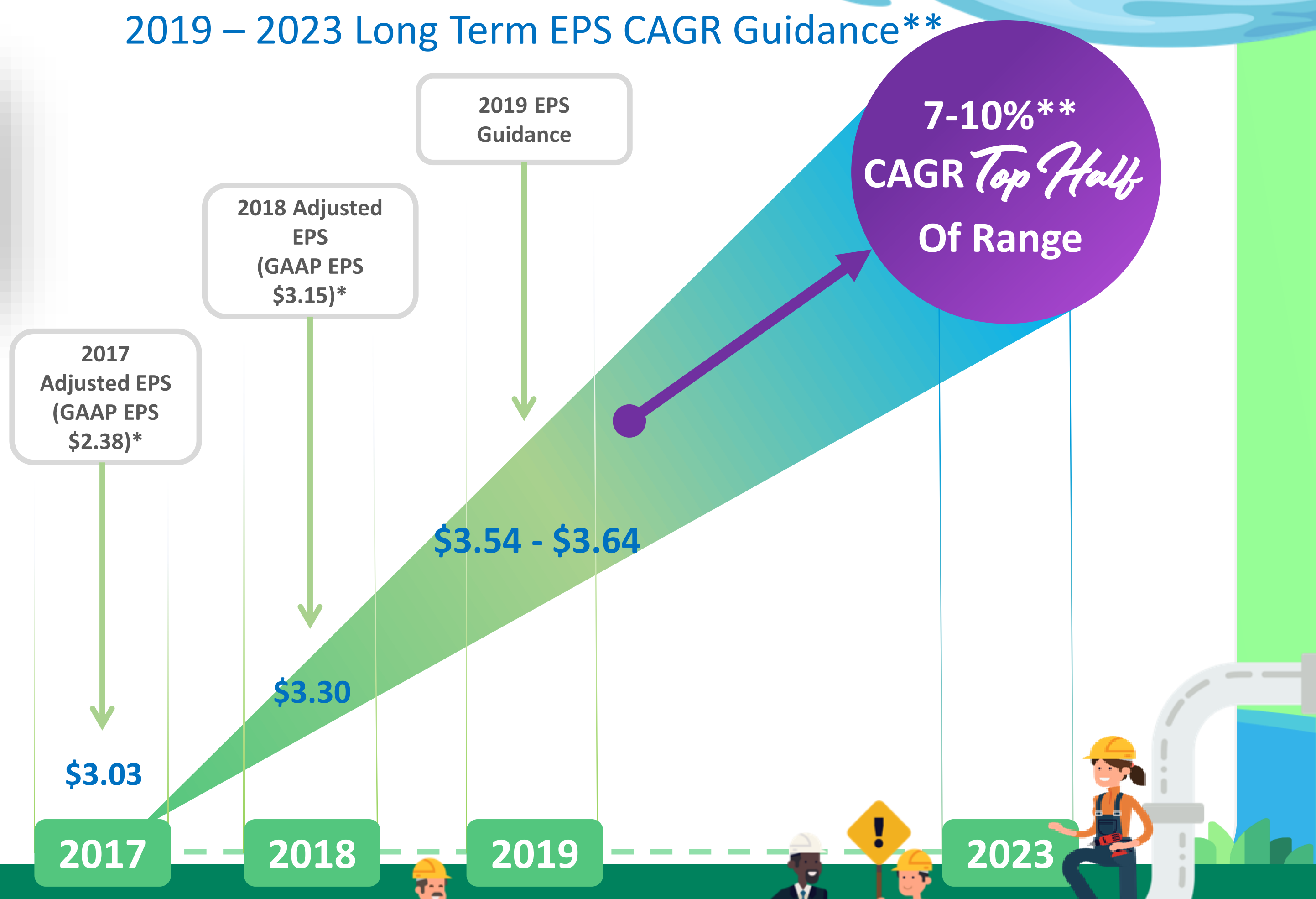
# *Affirming* 2019 EPS Range
## Long Term Guidance in the *Top Half of Range*

### Affirm 2019 EPS Guidance

$3.54 - $3.64

### 2019 Guidance – Major Variables

| | | |
|---|---|---|
| Weather | ($0.06) | $0.06 |
| Regulated | ($0.03) | $0.03 |
| Market-Based | ($0.02) | $0.02 |




* Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.
** Long Term EPS reflects 2019 – 2023 EPS CAGR goal in the top half of 7-10%, anchored off of 2017 Adjusted EPS (a non-GAAP measure).

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# Concluding Remarks

## Susan Story

**President and Chief Executive Officer**

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# Why invest in American Water

## Clear, Transparent Story into the Future

- Decades of investment needed
- Line of sight to $8-$8.6 billion of 5 year capex
- Fragmented national water and wastewater landscape
- Capital-light MBBs leverage core competencies, increase customer experience, and generate cash
- Predominantly Regulated risk profile representing 85% by 2023

## Low Risk, Regulated Water Utility

- Multi-decade infrastructure investment; with a fragmented market acquisitions adding to capital needs
- Hundreds of water projects per year reducing risk of large scale single projects
- Multiple state regulatory jurisdictions reduce both weather and regulatory risks
- Industry specific fair market value legislation
- Water Quality legislation becoming a focus
- Regulatory mechanisms support infrastructure investment

## Demonstrated Execution of Strategy

- Five year Total Shareholder Return (2013 – 2018) of 140%
- 2019-2023 Long Term EPS growth in the top half of 7-10%* range
- 2018 adjusted actual and 2019 EPS guidance midpoint near 9% growth
- “A” credit rating reduces our cost of capital
- 23% improvement in O&M efficiency ratio since 2010
- Focus on capital efficiency

## Commitment to Shareholders

- Five year dividend growth (2013-2018) CAGR of 10%
- Guiding 2019-2023 Dividend Growth at high end of 7-10%* EPS growth CAGR
- A leading Environmental, Social Responsibility and Governance investment

## ESG

- Keeping employees safe and injury-free, and developing each person to his or her fullest potential
- Being a leader in environmental sustainability, caring for the planet, and leading the nation in outstanding water safety and quality
- Delivering the personalized customer service with empathy and care
- Making communities better because we’re there; and being transparent, accessible and well-governed for our shareholders and investors

** Anchored off of 2017 Adjusted EPS (a non-GAAP measure)*

# Doing Well while Doing Good

## New in 2019

- **#23 on Barron's 100 Most Sustainable Companies; Highest ranked Utility**
- **Bloomberg Gender Equality Index**

American Water commits to further diversity in leadership through a partnership with Paradigm for Parity

American Water awards grants to local firefighters to support the safety of local communities

West Virginia American Water's Kanawha Valley Plant Wins 1st Place in the WV-AWWA Tap Water Taste Test

"American Water Receives 9 Directors Awards from the EPA's Partnership for Safe Water for Excellence in Water Quality"

Philadelphia Inquirer Lists American Water as a Top-ranked Company on Diversity, Governance & Transparency

United Way Awards American Water Employees the 'Leading the Way Award' for generosity

EURONEXT vigeo eiris INDICES

FTSE4Good

MSCI 2018 Constituent MSCI ESG Leaders Indexes

2019 Bloomberg Gender-Equality Index

NAACP Equity Inclusion and Empowerment Index

American Water earns 2019 Military Friendly® Bronze Employer designation

Peter Drucker Institute & Wall Street Journal Management Top 250 has American Water as the highest ranked utility company

American Water employees contribute 4,800 volunteer hours across U.S. during month of service

Young artists earn funds for their schools through Illinois American Water's "Imagine a day Without Water" art contest

Environmental Business Journal Recognizes American Water for Business Achievement


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Your Calm in the Middle of the Storms

American Water

# Q&A Session

# Investor Relations Contacts

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# Appendix

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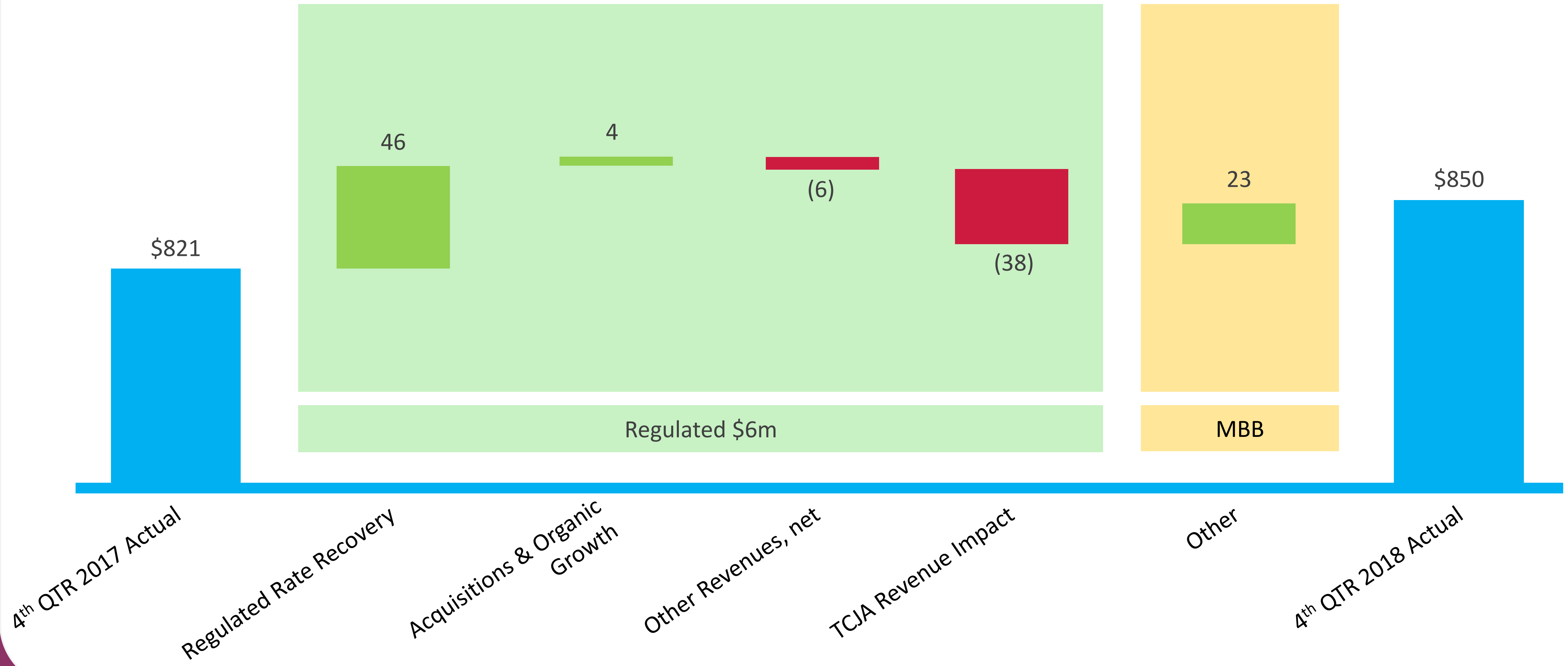
# Forward-Looking Statements

Certain statements in this presentation including, without limitation, with respect to dividend growth guidance; the outcome of pending or future acquisition activity; the amount and allocation of future capital investments and expenditures; estimated revenues and regulatory recovery from rate cases and other governmental agency authorizations; estimates regarding our projected rate base, growth, results of operations and financial condition; our projected regulated operation and maintenance efficiency ratio; macro trends; our ability to execute our business and operational strategy; and projected impacts of the Tax Cuts and Jobs Act (the "TCJA"), 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 presentation as a result of the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 19, 2019, and subsequent filings with the SEC, 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; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof; 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; exposure or infiltration of our critical infrastructure and technology systems through physical or cyber attacks or other means; 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 successfully meet growth projections for our businesses 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 Clearwater Solutions' narrowed business focus; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; 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; and other factors as may be set forth in our SEC filings.

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.

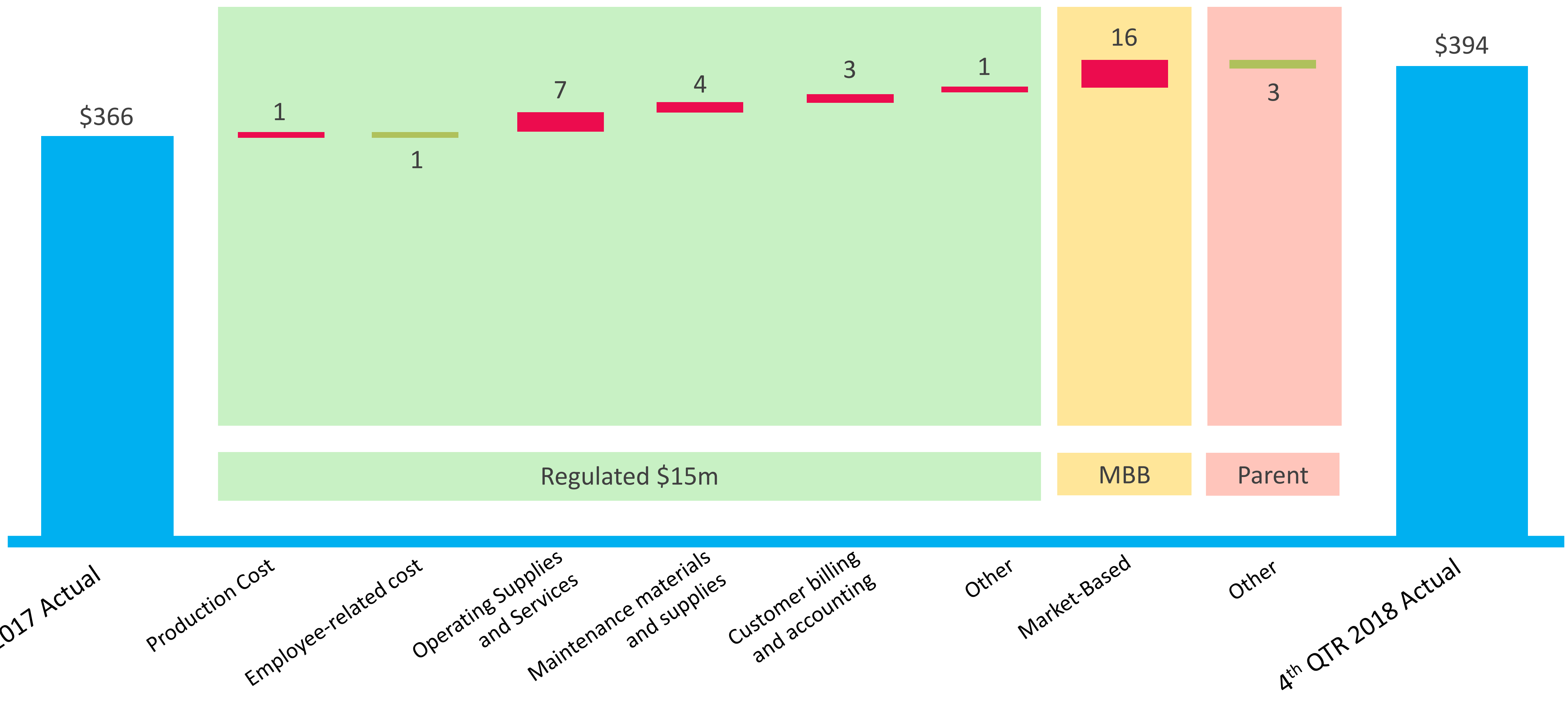
# 2018 Fourth Quarter Revenue Breakdown

*($ in millions)*



# 2018 Fourth Quarter O&M Expense Breakdown

*($ in millions)*



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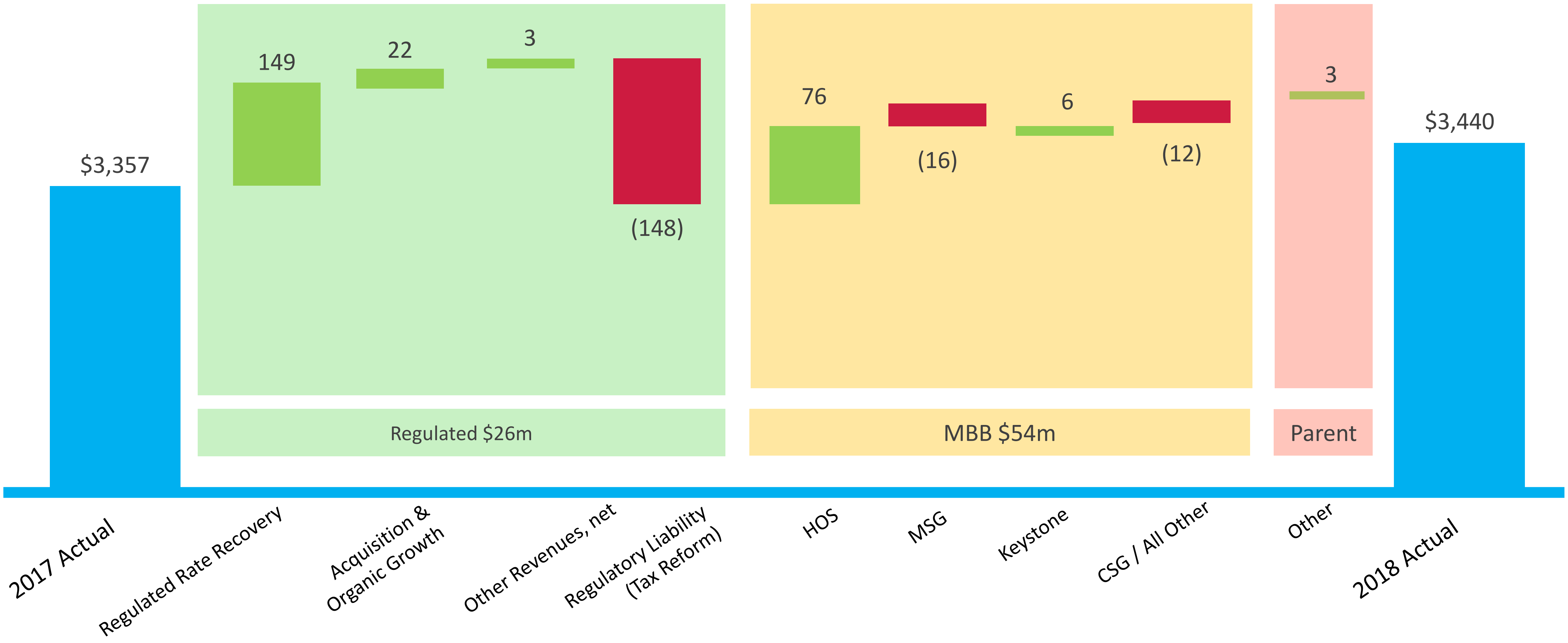
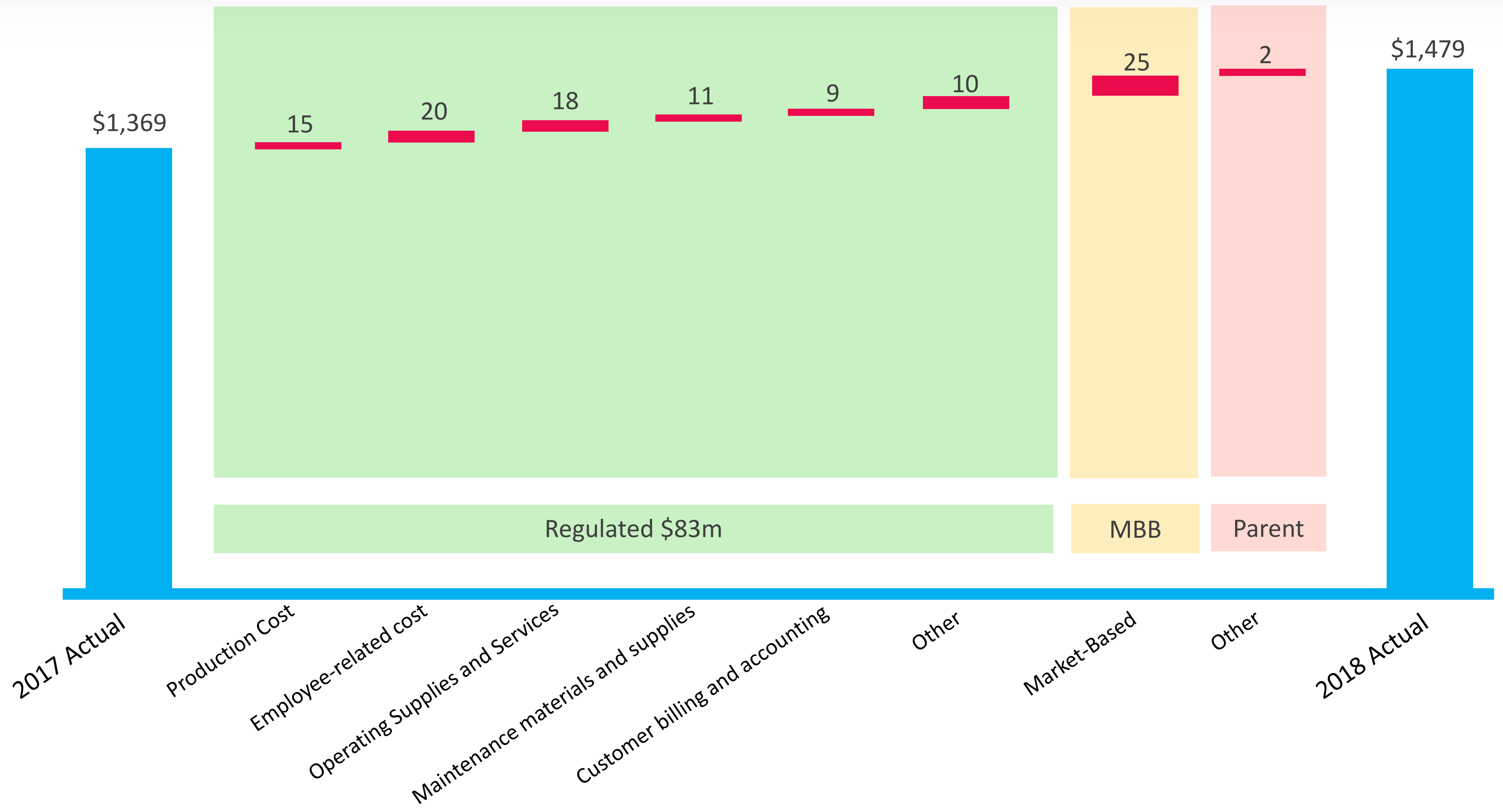
# 2018 Full Year Revenue Breakdown

*($ in millions)*



# 2018 Full Year O&M Expense Breakdown

*($ in millions)*



# Rate Base Calculation*

*($ in millions)*


| Estimated Rate Base* | |
|---|---|
| | As of 12/31/2018 |
| Net Utility Plant | $17,073 |
| *Less* | |
| Advances for Construction | 252 |
| CIAC – Contributions in Aid of Construction | 1,322 |
| Net Deferred income taxes*** | 2,997 |
| Deferred investment tax credits | 22 |
| | $4,593 |
| **Total Estimated Rate Base** | **$12,480******** |

**≈7-8%****

**Expected Rate base CAGR through 2023**

*An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes
**Anchored off of 2017 rate base
*** Includes the regulatory liability established to normalize the impact of tax rate changes under the Tax Cuts and Jobs Act
**** Correction from previous 2018 year end calculation

# Rates Effective since January 1, 2018

| | Date Effective | Annualized Revenue Increases Effective in 2018 | | Annualized Revenue Increases Effective Since January 1, 2019 | |
|---|---|---|---|---|---|
| **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 | | | |
| Missouri (ISRS) | 12/15/2018 | 6 | | | |
| Illinois (QIP) | 1/1/2019 | | | $8 | |
| West Virginia (DSIC) | 1/1/2019 | | | 2 | |
| | | **$21** | | **$10** | |
| **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) | | |
| California | 1/1/2018 | 10 | (e) | | |
| Maryland | 2/5/2019 | | | 1 | (f) |
| West Virginia | 2/25/2019 | | | 19 | (g) |
| | | **$150** | | **$20** | |
| | Total | **$171** | | **$30** | |

(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.
(e) On December 13, 2018, the California Public Utilities Commission issued an Order authorizing an increase of $10.3 million excluding $4.7 million in previously approved purchase water increases in 2018.
(f) On February 5, 2019, the Maryland Public Service Commission issued an Order authorizing an increase of $1.45 million effective February 5, 2019.
(g) On February 8, 2019, the West Virgina Public Service Commission issued an Order authorizing an increase of $19 million effective February 25, 2019, this excludes $4 million in DSIC revenues.

# Rate Filings Awaiting Final Order

| Rate Cases Filed | | | Revenue Increase | | |
|---|---|---|---|---|---|
| Company | Docket / Case Number | Date Filed | Adj for TCJA | ROE Requested | Rate Base |
| Indiana | Case No. 45142 | 9/14/2018 | $18 [a] | 10.80% | $1,065 |
| Virginia | Case No. PUR-2018-00175 | 11/2/2018 | $5 [b] | 10.80% | $196 |
| Kentucky | Case No. 2018-00358 | 11/28/2018 | $20 | 10.80% | $441 |
| | | | **$43** | | **$1,702** |
| **Infrastructure Charges Filed** | | | | | |
| Tennessee (QIIP, EDI, SEC) | | 11/16/2018 | $2 [c] | | $19 |
| | | | **$2** | | **$19** |
| | | Total Awaiting Final Order: | **$45** | | |

(a) 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.

(b) The requested increase filed for was $5.6 million, which includes $.9 million from infrastructure filings.

(c) The $2 million revenue increase requested is proposed to be offset with savings from the Tax Cuts and Jobs Act savings.

# 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* | $498,135 | $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 | $652,900 [h] |
| Authorized ROE | 9.60% | 9.10% | 10.00% [e] | 9.25% | 9.75% |
| Authorized Equity | 54.00% | 46.00% | 53.75% [d] | 46.09% | 48.40% [h] |
| Effective Date of Rate Case | 10/29/2018 [g] | 6/1/2017 | 1/1/2018 | 5/24/2017 [f] | 2/25/2019 |

**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.

h) The Rate Base and equity ratio listed is the Company's view of what was allowed in the case, there were multiple versions disclosed by the parties in the applicable settlement agreement.

AMERICAN WATER

# Closed and Pending Acquisitions as of January 31, 2019

### 2018 Closed Acquisitions*

| State | No. of Acquisitions | Water Customers | Wastewater Customers | Total Customers |
|---|---|---|---|---|
| California | 1 | 50 | 50 | 100 |
| Indiana | 2 | 1,250 | 1,250 | 2,500 |
| Illinois | 4 | 2,400 | 2,400 | 4,800 |
| Kentucky | 1 | 600 | - | 600 |
| Missouri | 3 | 1,050 | 1,050 | 2,100 |
| New Jersey | 1 | 3,900 | - | 3,900 |
| **Total** | **12** | **9,250** | **4,750** | **14,000** |

### Acquisitions Under Agreement*

| State | No. of Acquisitions | Water Customers | Wastewater Customers | Total Customers |
|---|---|---|---|---|
| California | 4 | 8,600 | - | 8,600 |
| Hawaii | 1 | - | 200 | 200 |
| Illinois** | 3 | 500 | 29,700 | 30,200 |
| Indiana | 2 | 6,100 | - | 6,100 |
| Kentucky | 1 | 400 | 200 | 600 |
| New Jersey | 1 | - | 1,700 | 1,700 |
| Pennsylvania | 7 | 2,700 | 10,200 | 12,900 |
| Missouri | 2 | 50 | 50 | 100 |
| Tennessee | 1 | 100 | - | 100 |
| West Virginia | 1 | 500 | - | 500 |
| **Total** | **23** | **18,950** | **42,050** | **61,000** |

* Customer connections are rounded

** This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000

# Reconciliation Table: Consolidated Adjusted Earnings Per Share*

| Consolidated Adjusted EPS | For the Three Months Ended December 31, | | | | For the Twelve Months Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 vs. 2017 | Percentage | 2018 | 2017 | 2018 vs. 2017 | Percentage |
| Diluted earnings per share (GAAP): | | | | | | | | |
| **Net income attributable to common stockholders** | **$ 0.62** | **$ (0.01)** | **$ 0.63** | | **$ 3.15** | **$ 2.38** | **$ 0.77** | |
| Non-GAAP adjustments: | | | | | | | | |
| Contract Services Gain on Sale | - | - | - | | (0.08) | - | (0.08) | |
| Income tax impact | - | - | - | | 0.02 | - | 0.02 | |
| Net non-GAAP adjustment | - | - | - | | (0.06) | - | (0.06) | |
| | | | | | | | | |
| Keystone Impairment | - | - | - | | 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 | |
| | | | | | | | | |
| Freedom Industries Insurance Settlement | - | - | - | | (0.11) | (0.12) | 0.01 | |
| Income tax impact | - | - | - | | 0.03 | 0.05 | (0.02) | |
| Net non-GAAP adjustment | - | - | - | | (0.08) | (0.07) | (0.01) | |
| | | | | | | | | |
| Early Debt Extinguishment at Parent | - | - | - | | - | 0.03 | (0.03) | |
| Income tax impact | - | - | - | | - | (0.01) | 0.01 | |
| Net non-GAAP adjustment | - | - | - | | - | 0.02 | (0.02) | |
| | | | | | | | | |
| Re-measurement from Tax Reform | 0.07 | 0.70 | (0.63) | | 0.07 | 0.70 | (0.63) | |
| | | | | | | | | |
| Total net non-GAAP adjustments | 0.07 | 0.70 | (0.63) | | 0.15 | 0.65 | (0.50) | |
| | | | | | | | | |
| **Adjusted diluted earnings per share (non-GAAP)** | **$ 0.69** | **$ 0.69** | **$ -** | **0.0%** | **$ 3.30** | **$ 3.03** | **$ 0.27** | **8.9%** |

*Amounts may not sum due to rounding

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# Reconciliation Tables: Segment Adjusted Earnings Per Share*

| Regulated Businesses Adjusted EPS | For the Three Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage | For the Twelve Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share (GAAP): | | | | | | | | |
| **Net income attributable to common stockholders** | **$ 0.66** | **$ 0.63** | **$ 0.03** | | **$ 3.35** | **$ 3.12** | **$ 0.23** | |
| Non-GAAP adjustments: | | | | | | | | |
| Freedom Industries Insurance Settlement | - | - | - | | (0.11) | (0.12) | 0.01 | |
| Income tax impact | - | - | - | | 0.03 | 0.05 | (0.02) | |
| Net non-GAAP adjustment | - | - | - | | (0.08) | (0.07) | (0.01) | |
| Re-measurement from Tax Reform | 0.05 | 0.03 | 0.02 | | 0.05 | 0.03 | 0.02 | |
| Total net non-GAAP adjustments | **0.05** | **0.03** | 0.02 | | **(0.03)** | **(0.04)** | 0.01 | |
| **Adjusted diluted earnings per share (non-GAAP)** | **$ 0.71** | **$ 0.66** | **$ 0.05** | **7.6%** | **$ 3.32** | **$ 3.09** | **$ 0.24** | **7.4%** |

| Market-Based Businesses Adjusted EPS | For the Three Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage | For the Twelve Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share (GAAP): | | | | | | | | |
| **Net income attributable to common stockholders** | **$ 0.07** | **$ 0.05** | **$ 0.02** | | **$ 0.17** | **$ 0.21** | **$ (0.04)** | |
| Non-GAAP adjustments: | | | | | | | | |
| Contract Services Gain on Sale | - | - | - | | (0.08) | - | (0.08) | |
| Income tax impact | - | - | - | | 0.02 | - | 0.02 | |
| Net non-GAAP adjustment | - | - | - | | (0.06) | - | (0.06) | |
| Keystone Impairment | - | - | - | | 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 | |
| Re-measurement from Tax Reform | - | 0.03 | (0.03) | | - | 0.03 | (0.03) | |
| Total net non-GAAP adjustments | - | 0.03 | (0.03) | | 0.16 | 0.03 | 0.13 | |
| **Adjusted diluted earnings per share (non-GAAP)** | **$ 0.07** | **$ 0.08** | **$ (0.01)** | **-12.5%** | **$ 0.33** | **$ 0.24** | **$ 0.09** | **37.5%** |

| Parent Company Adjusted EPS | For the Three Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage | For the Twelve Months Ended December 31, 2018 | 2017 | 2018 vs. 2017 | Percentage |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share (GAAP): | | | | | | | | |
| **Net income attributable to common stockholders** | **$ (0.11)** | **$ (0.69)** | **$ 0.58** | | **$ (0.37)** | **$ (0.95)** | **$ 0.58** | |
| Non-GAAP adjustments: | | | | | | | | |
| Early Debt Extinguishment at Parent | - | - | - | | - | 0.03 | (0.03) | |
| Income tax impact | - | - | - | | - | (0.01) | 0.01 | |
| Net non-GAAP adjustment | - | - | - | | - | 0.02 | (0.02) | |
| Re-measurement from Tax Reform | 0.02 | 0.64 | (0.62) | | 0.02 | 0.64 | (0.62) | |
| Total net non-GAAP adjustments | 0.02 | 0.64 | (0.62) | | 0.02 | 0.66 | (0.64) | |
| **Adjusted diluted earnings per share (non-GAAP)** | **$ (0.09)** | **$ (0.05)** | **$ (0.04)** | **-80.0%** | **$ (0.35)** | **$ (0.30)** | **$ (0.05)** | **-16.9%** |

*Amounts may not sum due to rounding

# Reconciliation Tables: Adjusted Return on Equity

| | LTM December 31, 2017 | LTM December 31, 2018 |
|---|---|---|
| Net Income | $426 | $567 |
| Adjustments: | | |
| Freedom Industries Insurance Settlement | (22) | (20) |
| Early Debt Extinguishment at Parent | 6 | - |
| Keystone Impairment | - | 54 |
| Contract Services Gain on Sale | - | (14) |
| Tax Impact for items above | 7 | (6) |
| Re-measurement from Tax Reform | 125 | 12 |
| **Adjusted Net Income from Continuing Operations (a)** | **$542** | **$593** |
| Shareholders' equity | $5,385 | $5,864 |
| Adjustments: | | |
| Freedom Industries Insurance Settlement | (22) | (20) |
| Early Debt Extinguishment at Parent | 6 | - |
| Keystone Impairment | - | 54 |
| Contract Services Gain on Sale | - | (14) |
| Tax Impact for items above | 7 | (6) |
| Re-measurement from Tax Reform | 125 | 12 |
| **Adjusted Shareholders' Equity (b)** | **$5,501** | **$5,890** |
| | | |
| **Adjusted Return on Equity (a/b)** | **9.9%** | **10.1%** |

# Reconciliation Table: Regulated Segment O&M Efficiency Ratio

| **Regulated Segment O&M Efficiency Ratio**<br>(A Non-GAAP Unaudited Number)<br>***($ in millions)*** | **FY 2010** | **FY 2012** | **FY 2014** | **FY 2016** | **FY 2018** |
|---|---|---|---|---|---|
| Total operations and maintenance expense | $1,291 | $1,330 | $1,350 | $1,504 | $1,479 |
| *Less:* | | | | | |
| Operations and maintenance expense – Market Based Operations | 257 | 256 | 289 | 372 | 362 |
| Operations and maintenance expense – Other | (61) | (56) | (51) | (44) | (42) |
| **Total operations and maintenance expense – Regulated Businesses** | **$1,095** | **$1,130** | **$1,112** | **$1,176** | **$1,159** |
| *Less:* | | | | | |
| Regulated purchased water expense | 100 | 110 | 122 | 122 | 133 |
| Allocation of non-operation and maintenance expenses | 29 | 35 | 39 | 30 | 31 |
| Freedom Industries chemical spill in West Virginia | - | - | 10 | - | - |
| Impact of Freedom Industries settlement activities | - | - | - | 65 | (20) |
| Estimated impact of weather | - | 5 | (2) | - | - |
| **Adjusted operations and maintenance expense – Regulated Businesses (a)** | **$966** | **$980** | **$943** | **$959** | **$1,015** |
| | | | | | |
| Total operating revenues | $2,555 | $2,854 | $3,011 | $3,302 | $3,440 |
| *Less:* | | | | | |
| Operating Revenues – Market Based Operations | 295 | 307 | 355 | 451 | 476 |
| Operating Revenues – Other | (26) | (17) | (18) | (20) | (20) |
| **Total pro forma operating revenues – Regulated Businesses** | **$2,286** | **$2,564** | **$2,674** | **$2,871** | **$2,984** |
| Less: | | | | | |
| Regulated Purchased Water expense* | 100 | 110 | 122 | 122 | 133 |
| *Plus:* | | | | | |
| Freedom Industries chemical spill in West Virginia | - | - | 1 | - | - |
| Estimated impact of weather | - | (47) | 17 | - | - |
| **Adjusted pro forma operating revenues—Regulated Businesses (b)** | **$2,186** | **$2,407** | **$2,570** | **$2,749** | **$2,851** |
| | | | | | |
| **Adjusted O&M efficiency ratio—Regulated Businesses (a)/(b)** | **44.2%** | **40.7%** | **36.7%** | **34.9%** | **35.6%** |

| | | | | |
|---|---|---|---|---|
| **Adjusted operations and maintenance expense – Regulated Businesses** | **$966** | **$980** | **$943** | **$959** |
| *Less:* | | | | |
| Impact of adoption of ASU 2017-07 *** | - | 39 | (8) | 12 |
| **Adjusted operations and maintenance expense – Regulated Businesses (c)** | **$966** | **$941** | **$951** | **$947** |
| | | | | |
| **Adjusted operating revenues—Regulated Businesses** | **$2,186** | **$2,407** | **$2,570** | **$2,749** |
| *Less pro forma adjustment:* | | | | |
| Pro forma adjustment for impact of the TCJA** | 89 | 112 | 137 | 161 |
| **Adjusted pro forma operating revenues—Regulated Businesses (d)** | **$2,097** | **$2,294** | **$2,433** | **$2,588** |
| | | | | |
| **Adjusted O&M efficiency ratio—Regulated Businesses (c)/(d)** | **46.1%** | **41.0%** | **39.1%** | **36.6%** |

** 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*

**** Includes the impact of the Company's adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018.*