AMERICAN WATER

2020 Second Quarter Earnings Conference Call

August 6, 2020

Ed Vallejo

Vice President, Investor Relations

American Water

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, 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, including uncertainties, risks and other factors associated with the current novel coronavirus (COVID-19) pandemic, are discussed in the Appendix to this presentation, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, as filed with the SEC on August 5, 2020.

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.

Walter Lynch

President and Chief Executive Officer

AMERICAN WATER

American Water's COVID-19 Response

Employees

- Suspended all work-related air and rail travel as of March 3 & suspended participation in sponsored events and public gatherings
- Employees who can work from home have been required to do so effective March 16
- Implemented social distancing and enhanced safety measures for employees
- Paid leave for COVID-19 diagnosis, required quarantine and childcare

Customers and Communities

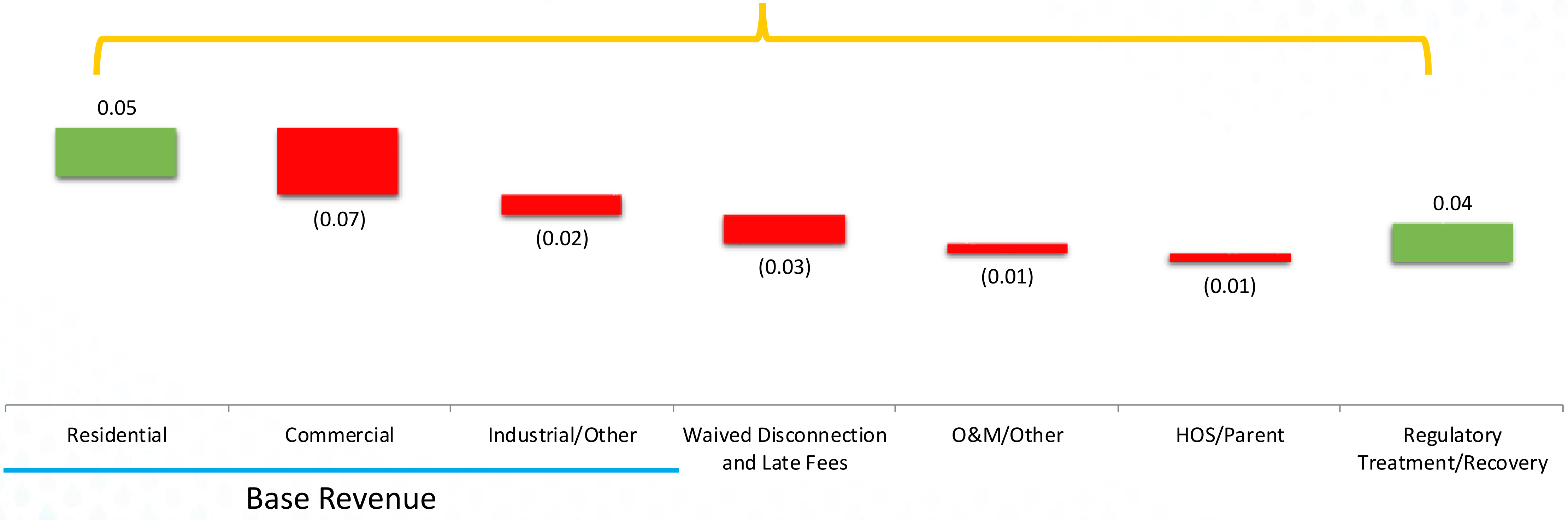
- Suspended billing-related service shutoffs and restored service to customers who were previously shut off for non-payment
- Suspended payment of late fees until further notice
- Working with customers who are experiencing a financial hardship by offering customer assistance programs and access to low income programs
- Implemented social distancing and enhanced safety measures for employees who engage with customers
- Made more than $400,000 in charitable contributions over the last 3 months to support our communities as they deal with the impacts of COVID-19

Regulatory & Liquidity

- Implemented actions to ensure liquidity and access to capital
- Increased communications with public service commissions, customers, and public officials
- Actively engaged with state regulatory commissions to address COVID-19 financial impacts, with commission approval orders received in 10 out of 14 regulated jurisdictions as of August 5, 2020

COVID-19 Financial Impact Details Through June 30, 2020

($0.05) Net EPS COVID-19 Impact



American Water

COVID-19 Regulatory and Financial Summary

Regulatory

10 States with Approval to Defer Costs

- **California**
- **Hawaii**
- **Illinois**
- **Indiana**
- **Iowa**
- **Maryland**
- **New Jersey**
- **Pennsylvania**
- **Virginia**
- **West Virginia**

4 States with Pending Proceedings

- **New York**
- **Missouri**
- **Kentucky**
- **Tennessee**

Segment

Regulated:

- Base Revenue - lower Commercial & Industrial, while Residential demand has increased
- Incremental costs, including uncollectible expense and foregone fees deferred for recovery based on state orders

Market-Based:

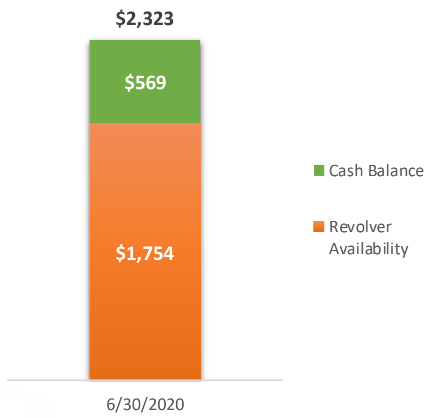
- Military Services Group continues to execute
- Homeowner Services experiencing some delays in new partner relationships and product launches

Other

- No change to 2020 capital plan expected; increase driven by demand/opportunity
- No major disruptions to supply chain

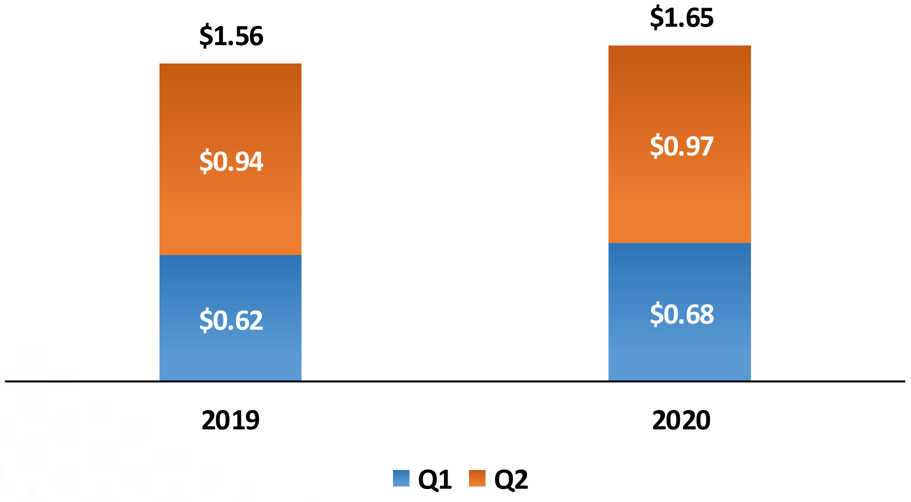
Strong Liquidity Position

($ in millions)



Year to Date and Q2 2020 Financial Performance and Growth

GAAP Earnings Per Share*



Regulated Investment

- ≈$930 million total capex invested
- Organic growth ≈6,900 customer connections as of June 30, 2020
- 34.3%** O&M efficiency ratio LTM

Regulated Acquisitions

- Closed 10,800 customer connections as of July 31, 2020
- 43,600 customer connections under agreement as of July 31, 2020
- Strong pipeline continues

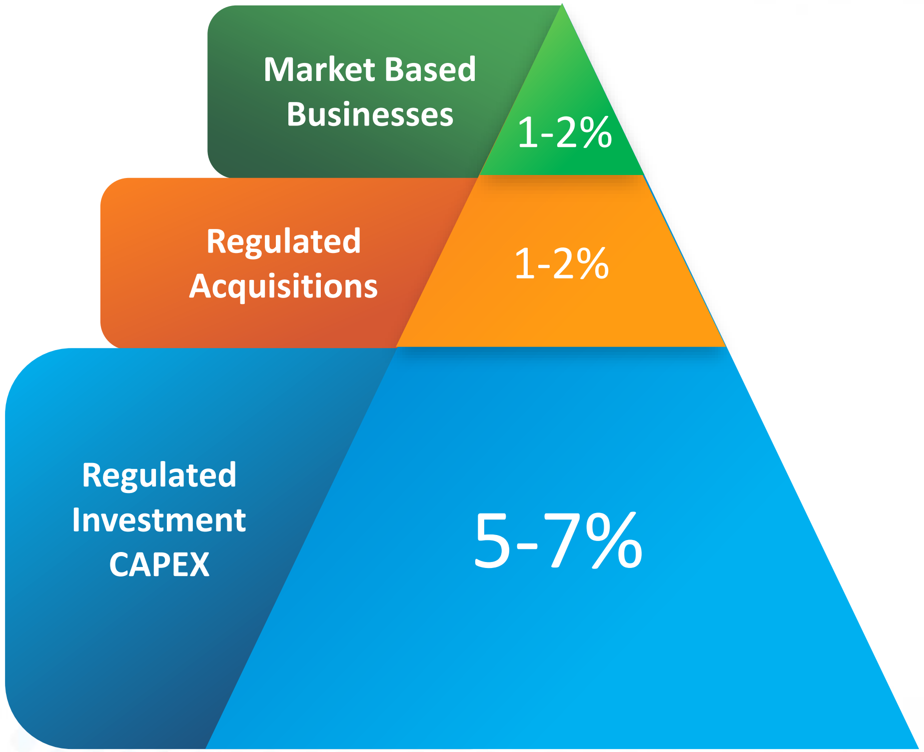
Market-Based Businesses

- Year-to-Date Homeowner Services performance reflects price increases and organic growth
- Military Services Group: Joint Base San Antonio and U.S. Military Academy at West Point, New York are in full operation as of June 1, 2020

** 2019 GAAP results include: A first quarter $0.01 per share benefit related to the Freedom Industries chemical spill reduction in liability. 2020 GAAP results include: $0.02 and $0.03 per share favorable impact related to the cessation of depreciation expense on assets held for sale for the three and six months ended June 30, 2020, respectively, and an estimated $0.05 per share unfavorable impact related to COVID-19 (an estimated $0.04 per share in the Regulated Businesses and $0.01 per share in the Market-Based Businesses).*
*** For 12-months ended June 30, 2020. Non-GAAP measure: please see reconciliation table in appendix.*

In This Environment, The Execution of Our Strategy Continues

Long-term EPS growth expected in the 7-10%* target range EPS CAGR guidance through 2024



Clear investment thesis provides confidence in long-term strategy

- **Decades** of investment needed
- Line of sight to **$20 - $22** billion of 10-year capital investment
- **Fragmented** national water and wastewater landscape
- **Capital-light** MBBs leverage core competencies, increase customer experience, and generate cash
- 2020-2024 Dividend **Growth** projected at high end of 7-10% range**
- A **leading** Environmental, Social Responsibility and Governance investment

AMERICAN WATER

**Anchored off of 2018 Adjusted EPS (a non-GAAP measure)*

***Subject to American Water Board of Directors approval*

Regulated Business Update

Regulatory

MISSOURI AMERICAN WATER

- Rate Case filed June 30, 2020
- Capital Investment of ≈$950 million
- Requested ROE 10.5%

PENNSYLVANIA AMERICAN WATER

- Rate Case filed April 29, 2020
- Capital Investment of ≈$1.6 billion
- Requested ROE 10.8%

NEW JERSEY AMERICAN WATER

- Rate Case filed December 16, 2019
- Capital Investment of ≈$1 billion
- Requested ROE 10.5%

VIRGINIA AMERICAN WATER

- Rate Case filed November 2, 2018
- Capital Investment of ≈$98 million
- Requested ROE 10.8%
- Interim rates effective May 1, 2019

CALIFORNIA AMERICAN WATER

- Rate Case filed July 1, 2019
- Capital Investment of ≈$197 million
- ROE previously set in separate Cost of Capital Decision*
- Rates covering 2021 through 2023

Legislative

Indiana

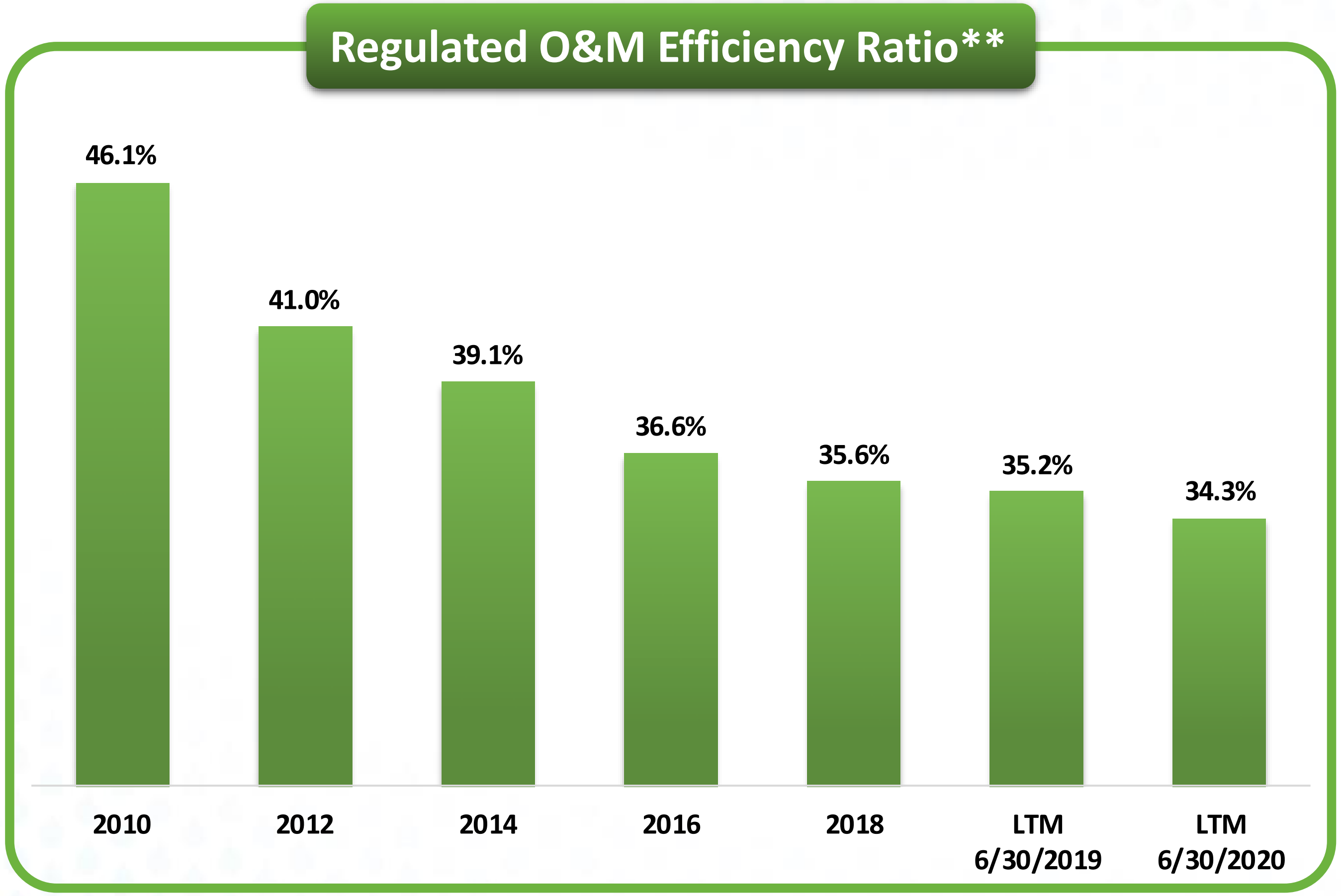
- Established an appraisal process for non-municipal utilities to establish fair value
- Authorized recovery without full rate case for service enhancements for health, safety or environmental concerns for above ground infrastructure, and exempts relocation from distribution system improvement charge recovery caps

Missouri

- **House Bill 2120** requires most small community water utilities (most with up to 30,000 customers) to establish a cybersecurity plan and valve & hydrant inspection program with reporting to the Department of Natural Resources certifying compliance with these provisions upon request

**California Commission has approved an extension of the required Cost of Capital filing to 2021*

Disciplined Focus on Expenses



- 2024 O&M Efficiency Target of **31.3%***
- Adjusted O&M Expenses from 2010-LTM 2020 increased only **0.8% CAGR****
- Added **≈281,000***** customer connections since 2010

** A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort*
*** 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. Also, 2010 – 2016 adjusted for TCJA*
**** Includes organic customer connections & closed dispositions and acquisitions*

American Water

Regulated Acquisitions Update

Under Agreement*
≈ **43,600**** Customer Connections
28 Acquisitions

CA: 4
IA: 1
IL: 7

IN: 2
MO: 4
NJ: 1

PA: 7
TN: 1
WV: 1

** As of 7/31/2020; does not reflect the announced pending sale of NYAW.*
*** This includes an IL acquisition, which represents 1,200 total customer connections, due to bulk contracts. Connections to the system will be approximately 100.*

Closed *as of July 31, 2020*
≈ 10,800 Customer Connections
13 acquisitions in 6 states

Fruitridge Vista, CA
Water
≈ 4,800 connections

Hillview, CA
Water
≈ 1,500 connections

Shiloh, IL
Wastewater
≈ 1,500 connections

Agreement Process

Regulatory Approval to Close

Close & Customers Served at Existing Rates

Rate Case Process to Fully Reflect Acquisitions & Inclusion into Rate Base

As Communities face increasing challenges

Opportunities grow to
≈800,000
Customer Connections

American Water stands ready to provide solutions

Susan Hardwick

Chief Financial Officer

Continued Execution of Company Strategy

Second Quarter 2020 Results*

EPS Contribution by Business

	Three Months Ended 06/30/2020	Three Months Ended 06/30/2019	Change
Regulated	$0.97	$0.87	$0.10
Market-Based	$0.13	$0.12	$0.01
Parent Interest & Other	($0.13)	($0.05)	($0.08)
Total GAAP EPS	**$0.97**	**$0.94**	**$0.03**

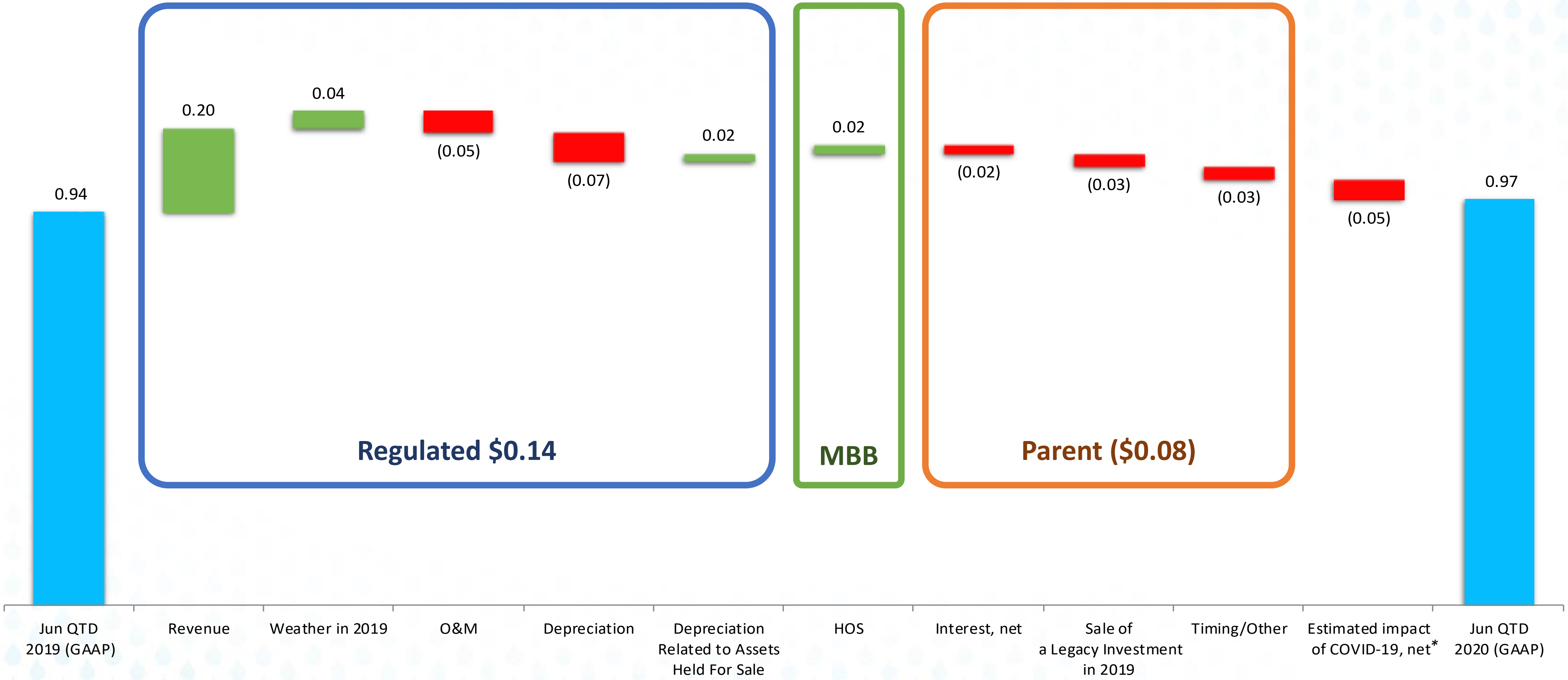
First Half 2020 Results*

EPS Contribution by Business

	Six Months Ended 06/30/2020	Six Months Ended 06/30/2019	Change
Regulated	$1.65	$1.47	$0.18
Market-Based	$0.25	$0.23	$0.02
Parent Interest & Other	($0.25)	($0.14)	($0.11)
Total GAAP EPS	**$1.65**	**$1.56**	**$0.09**

** 2019 GAAP results include: A first quarter $0.01 per share benefit related to the Freedom Industries chemical spill reduction in liability. 2020 GAAP results include: $0.02 and $0.03 per share favorable impact related to the cessation of depreciation expense on assets held for sale for the three and six months ended June 30, 2020, respectively, and an estimated $0.05 per share unfavorable impact related to COVID-19 (an estimated $0.04 per share in the Regulated Businesses and $0.01 per share in the Market-Based Businesses).*

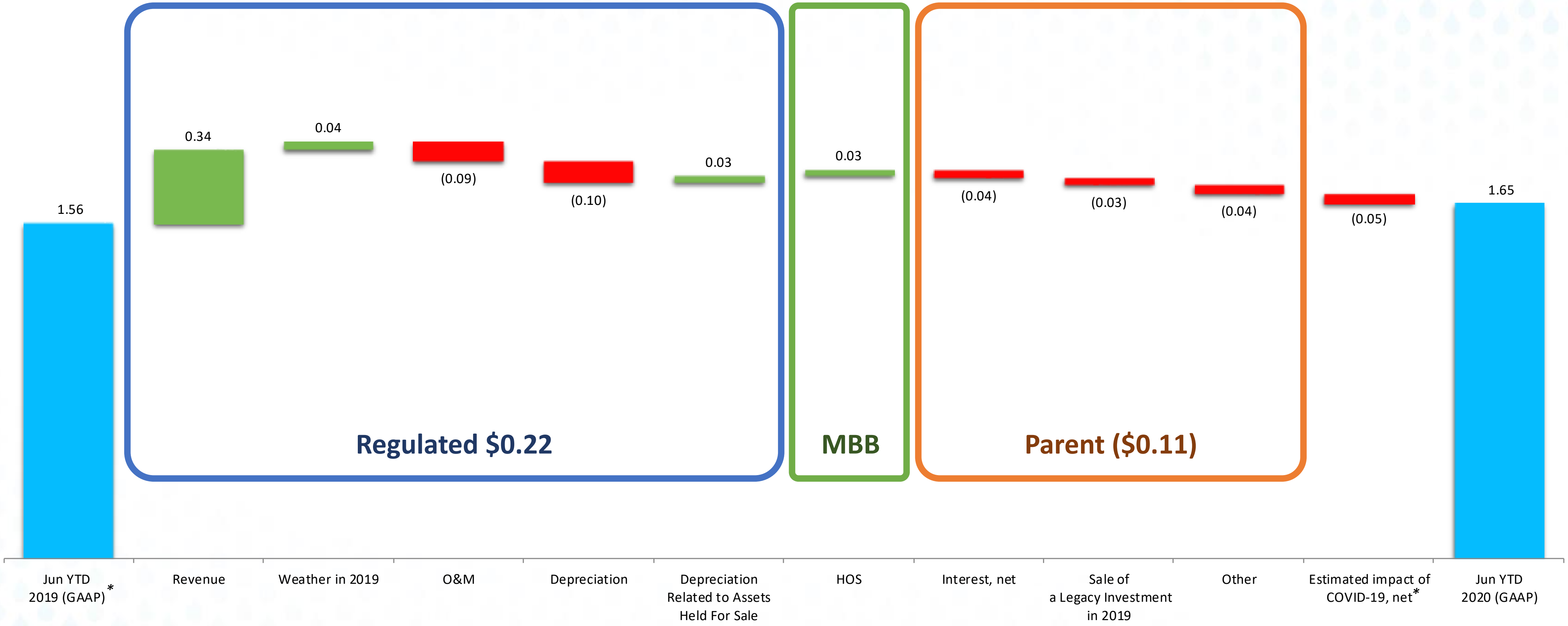
Second Quarter EPS Detail by Business



AMERICAN WATER

** The estimated impact related to COVID-19 is $0.04 per share from the Regulated Businesses and $0.01 per share from the Market-Based Businesses.*

First Half EPS Detail by Business

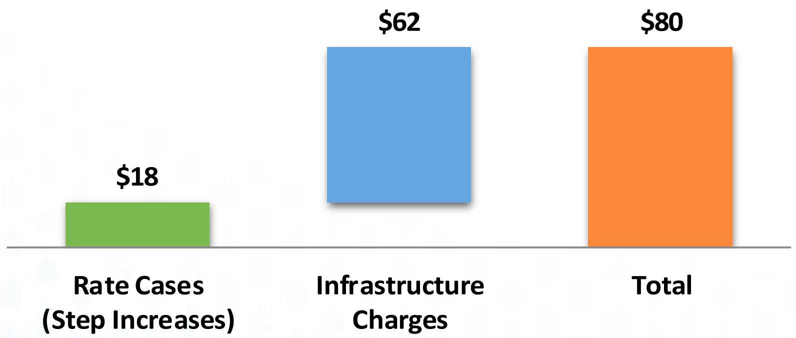


** 2019 GAAP results include $0.01 per share benefit related to the Freedom Industries chemical spill reduction in liability. The estimated impact related to COVID-19 is $0.04 per share from the Regulated Businesses and $0.01 per share from the Market-Based Businesses.*

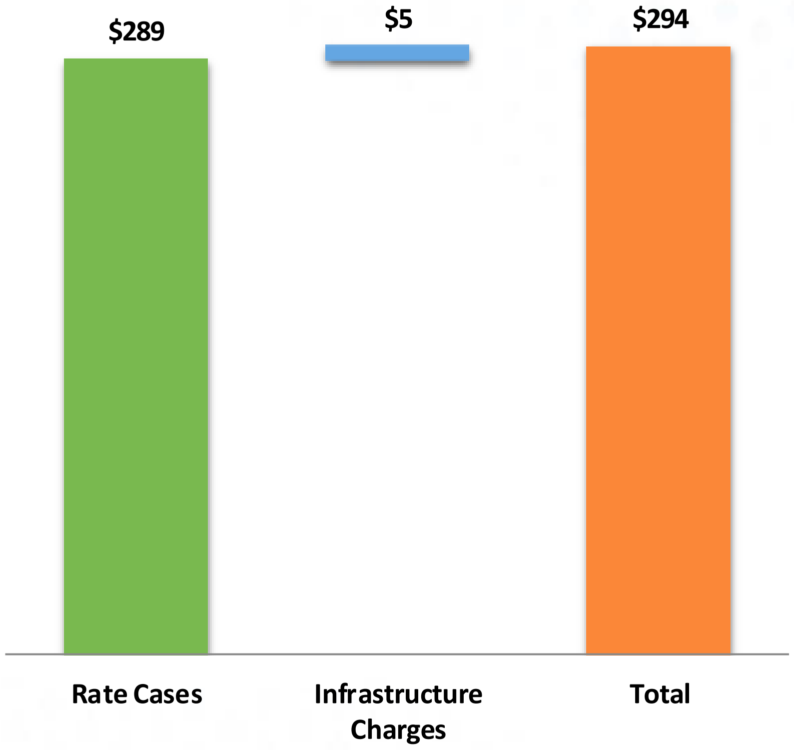
Rate Filings Completed and Awaiting Final Order

($ in millions)

Rate Filings Completed*



Requested Revenue in Pending Base Rate Proceedings



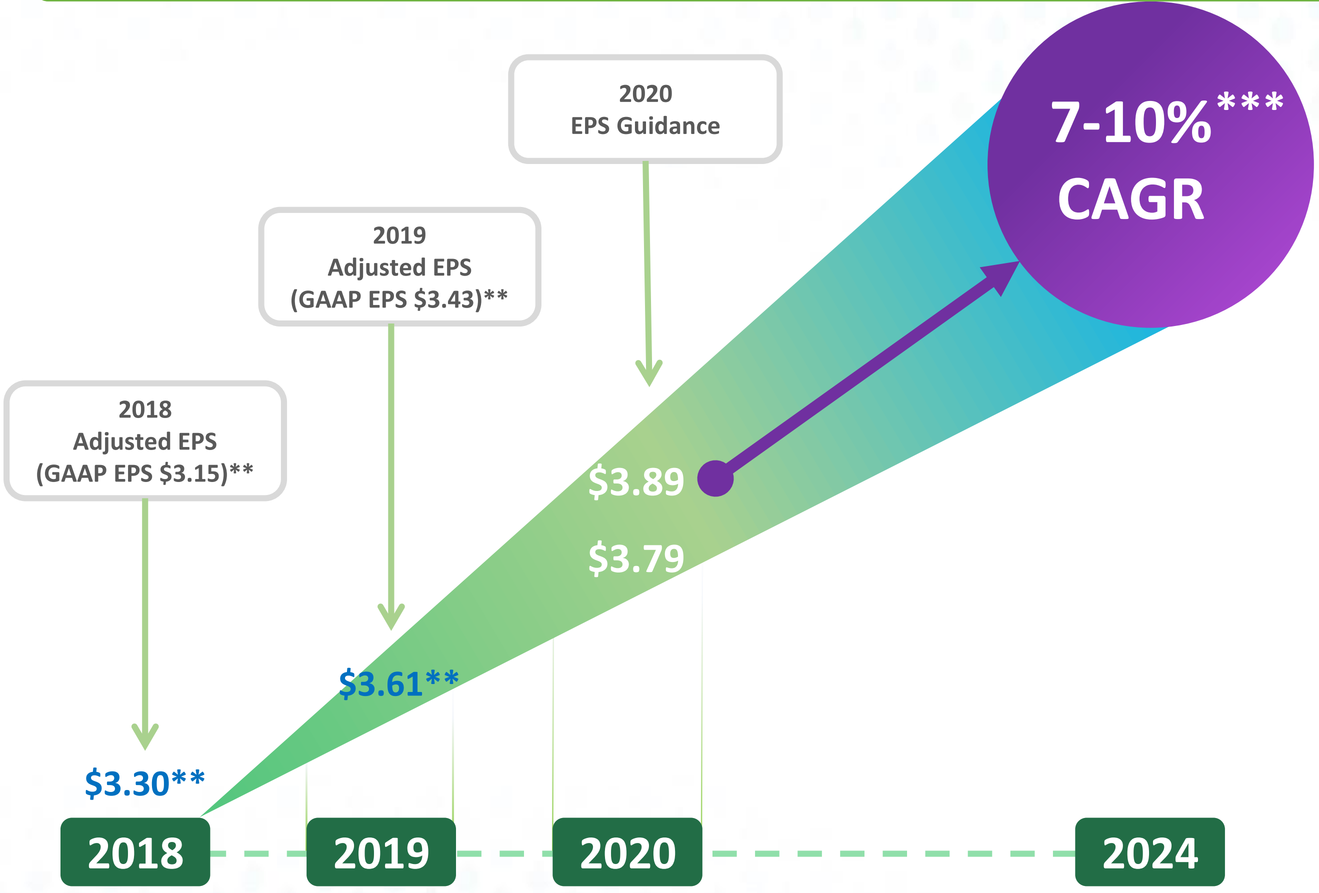
*Annualized Revenue Increase for Rates Effective Since January 1, 2020

2020 EPS and Long-Term Guidance

2020 EPS Guidance*

$3.79 - $3.89

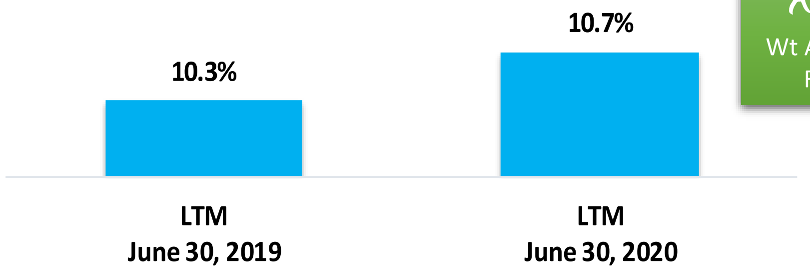
2020 – 2024 Long-Term EPS CAGR Guidance***



* 2020 GAAP Guidance includes: $0.06 per share depreciation related to assets held for sale & estimated $0.05 to $0.08 per share unfavorable impact from COVID-19 pandemic.
** Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.
*** Long Term EPS reflects 2020 – 2024 EPS CAGR goal of 7-10%, anchored off of 2018 Adjusted EPS (a non-GAAP measure).

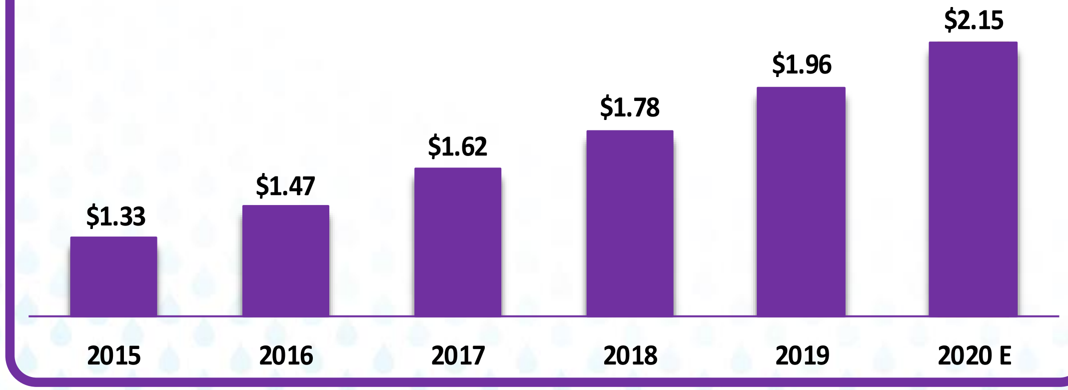
Delivering Value

AWK Shareholder Value
Adjusted Consolidated Return on Equity*



Regulated
Wt Avg authorized ROE is 9.8%

Dividend Growth**



Value Drivers

- **Consistent** Earnings Growth
- **Smooth** Capital Deployment
- **Disciplined** Approach to Acquisitions
- **Strong** Balance Sheet
- **Five Consecutive years** of dividend increase at the top of the range
- **Top** quartile dividend growth with a payout target of **50-60%**

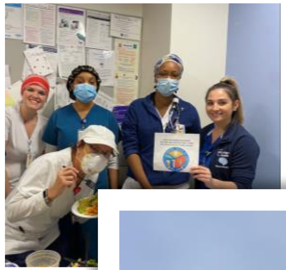
AMERICAN WATER

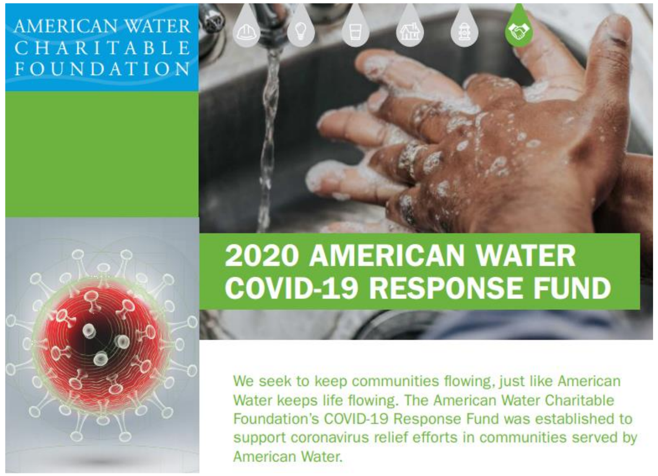
** Adjusted Return on Equity is a non-GAAP Measure. Please see appendix for reconciliation and further information.*
*** Future dividends are subject to approval of the American Water Board of Directors.*

Purpose Driven. People Powered. Customer Obsessed.

As a company, we have been deeply moved by the recent tragedies that are a reminder of the racial disparity that exists in our country. Racial injustice is wrong and inconsistent with the values of our company. We are all different, and that's a beautiful thing. Our diversity is our strength and should not be used to divide us. While much work remains to be done to address systemic racism, American Water is committed to listening, learning and doing our part to contribute to a more just and inclusive and beautifully different society.*

AMERICAN WATER





AMERICAN WATER

American Water. (2020, June 4). https://www.facebook.com/weareamericanwater

Q&A Session

Investor Relations Contacts

Ed Vallejo

Vice President, Investor Relations
edward.vallejo@amwater.com

Ralph Jedlicka

Director, Investor Relations
ralph.jedlicka@amwater.com

Abbey Barksdale

Manager, ESG
abbey.barksdale@amwater.com

Appendix

Forward-Looking Statements

Certain statements in this presentation, including, without limitation, with respect to: earnings per share guidance; dividend growth guidance; the timing and outcome of pending or future acquisition activity and the completion of the announced sale of New York American Water Company, Inc.; the Company's future financial performance, liquidity and cash flows; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the impacts to the Company of the current pandemic health event resulting from the novel coronavirus (COVID-19); the amount and allocation of future capital investments and expenditures; estimated revenues and regulatory recovery from general rate cases and other governmental agency authorizations, including filings for infrastructure surcharges and to address regulatory lag; estimates regarding the Company's projected rate base, growth, results of operations and financial condition; the Company's projected regulated operation and maintenance efficiency ratio; trends in the industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; the Company's ability to execute its business and operational strategy; and regulatory, legislative, tax policy or legal developments, including 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 the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 18, 2020, 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 and regulatory responses to the COVID-19 pandemic; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts and impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting and other decisions; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, consumer privacy, water quality and water quality accountability, 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, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; risks associated with the Company's aging infrastructure and its ability to appropriately maintain and replace current infrastructure and systems; exposure or infiltration of the Company's technology and critical infrastructure systems through physical or cyber attacks or other means; the Company's ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of equipment, chemicals, electricity, fuel, water, other raw materials; the Company's ability to successfully meet growth projections for its businesses and capitalize on growth opportunities, including its 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 the Company's market-based businesses, and realize anticipated benefits and synergies from new acquisitions; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's exposure to liabilities related to environmental laws and similar matters; changes in general economic, political, business and financial market conditions, including conditions and collateral consequences associated with the COVID-19 pandemic; access to sufficient debt and/or equity 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 with respect to the TCJA, the availability of tax credits and tax abatement programs, and the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards; and other factors as may be set forth in the Company's 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 the Company's annual, quarterly and other 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 this presentation was first used or given. The Company does not have and does not 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. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

2020 Closed Acquisitions*

As of July 31, 2020

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	2	6,300	-	6,300
Hawaii	1	-	200	200
Iowa	1	100	-	100
Illinois	7	1,100	2,400	3,500
Indiana	1	-	400	400
West Virginia	1	300	-	300
Total	13	7,800	3,000	10,800

* Customer Connections are rounded and may not sum

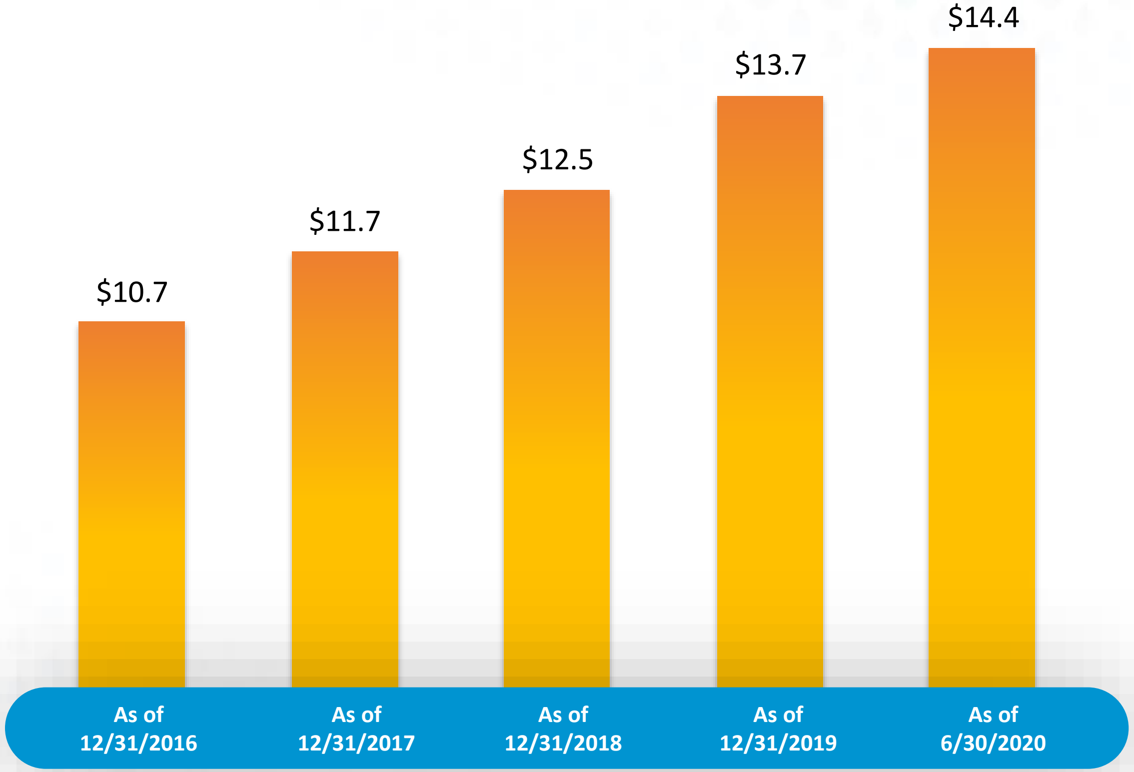
Acquisitions* *Under Agreement as of July 31, 2020*

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	4	6,300	-	6,300
Iowa	1	100	-	100
Illinois**	7	6,000	16,800	22,800
Indiana	2	100	100	200
Missouri	4	-	1,000	1,000
New Jersey	1	-	2,800	2,800
Pennsylvania	7	1,700	8,200	9,900
Tennessee	1	100	-	100
West Virginia	1	400	-	400
Total	28	14,700	28,900	43,600

**Customer Connections are rounded and may not sum. Does not reflect the announced pending sale of NYAW.*
*** This includes an IL acquisition, which represents 1,200 total customer connections, due to bulk contracts. Connections to the system will be approximately 100.*

Rate Base Calculation*

($ in millions)



Estimated Rate Base*

	As of 6/30/2020
Net Utility Plant	$19.3
Less	
Advances for Construction	$0.3
CIAC - Contributions in Aid of Construction	$1.4
Net Deferred income taxes	$3.3
	$4.9
Total Estimated Rate Base	**$14.4**

≈7-8%** | **Expected Rate base CAGR through 2024**

*An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes. Amounts may not sum due to rounding

**Anchored off of 2018 rate base

AMERICAN WATER

Rates Effective Since…

January 1, 2020

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases Effective in 2020
California (Step Increase)	1/1/2020	$5
Indiana (Step Increase)	5/1/2020	13 [(a)]
		$18

Infrastructure Charges	Date Effective	Annualized Revenue Increases Effective in 2020
West Virginia (DSIC)	1/1/2020	$3
Pennsylvania (W-DSIC)	1/1/2020	9
Pennsylvania (WW-DSIC)	1/1/2020	1
Illinois (QIP)	1/1/2020	7
New Jersey (DSIC)	1/1/2020	10
Pennsylvania (DSIC)	4/1/2020	5
Tennessee (QIIP, EDI, SEC)	1/1/2020	2
Missouri (ISRS)	6/27/2020	10
New Jersey (DSIC)	6/29/2020	10
Kentucky (QIP)	7/1/2020	1
Pennsylvania (DSIC)	7/1/2020	4
		$62
Total		$80

[(a)] The overall increase is $17.5 million in revenues combined over two steps, the first step is effective 7/1/2019 in the amount of $4.4 million and the second step became effective 5/1/2020 in the amount of $13.1 pending protest rights to the certified numbers.

Pending Rate Filings

Rate Cases Filed Company	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
Virginia	Case No. PUR-2018-00175	11/2/2018	$5[a]	10.8%	$196
California	Case No. A. 19-07-004	7/1/2019	26[b]		689
New Jersey	Case No. WR-19121516	12/16/2019	88[c]	10.5%	3,639
Pennsylvania	Docket R-2020-3019369 (W) & R-2020-3019371 (WW)	4/29/2020	92[d]	10.8%	3,975
Missouri	Case No. WR-2020-0344	6/30/2020	78[e]	10.5%	1,823
			$289		$10,322
Infrastructure Charges Filed					
New York (SIC)		5/29/2020	$1		$7
West Virginia (DSIC)		6/29/2020	4		51
			$5		$58
		Total Awaiting Final Order:	$294		

[a] The requested increase filed for was $5.6 million, which includes $0.9 million from infrastructure filings. Interim rates were effective on May 1, 2019, under bond and subject to refund.

[b] On July 1, the company filed for a Test Year 2021 revenue requirement request of $26.0 million which excludes the escalation year and attrition year rate increases for 2022 and 2023 of $9.8 million and $10.8 million, respectively. The Company filed its 100 day update on October 11, 2019, requesting $27.3 million annualized incremental revenues for 2021, and increases of $9.5 million and $10.3 million in the escalation year of 2022 and the attrition year of 2023, respectively.

[c] The requested increase is $87.8 million, which excludes $34.7 million from the DSIC.

[d] On April 29, the company filed for a multiyear rate case. Rate year 1 requested $92.4 million with rate base of $3.98 billion and Rate Year 2 requested $46.2 million with rate base of $4.29 billion.

[e] The requested increase is $78.1 million, which excludes $29.4 million from the ISRS.

Regulatory Information

	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
Authorized Rate Base*	$498,135	$883,386	$1,182,170	$443,654	$1,249,293[b]
Authorized ROE	9.20%[a]	9.79%	9.80%	9.70%[e]	10.00%[e]
Authorized Equity	55.39%[a]	49.80%	53.41%[c]	48.90%	52.80%[d]
Effective Date of Rate Case	1/1/2018[a]	1/1/2017	5/1/2020	6/28/2019	5/28/2018

	NEW JERSEY	NEW YORK	PENNSYLVANIA	VIRGINIA	WEST VIRGINIA
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*

(a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. CAW 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) The Authorized Equity excludes 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; however, 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, as there were multiple versions of each disclosed by the parties in the settlement agreement.

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 2018**	**LTM 6/30/2019**	**LTM 6/30/2020**
Total operations and maintenance expense	$1,291	$1,330	$1,350	$1,504	$1,479	$1,520	$1,581
Less:							
Operations and maintenance expense – Market-Based Operations	257	256	289	372	362	387	384
Operations and maintenance expense – Other	(61)	(56)	(51)	(44)	(42)	(48)	(17)
Total operations and maintenance expense – Regulated Businesses	**$1,095**	**$1,130**	**$1,112**	**$1,176**	**$1,159**	**$1,181**	**$1,214**
Less:							
Regulated purchased water expense	100	110	122	122	133	132	142
Allocation of non-operation and maintenance expenses	29	35	39	30	31	33	30
Impact of Freedom Industries activities	-	-	10	65	(20)	-	-
Estimated impact of weather	-	5	(2)	-	-	-	-
Adjusted operations and maintenance expense – Regulated Businesses (a)	**$966**	**$980**	**$943**	**$959**	**$1,015**	**$1,016**	**$1,042**
Total operating revenues	$2,555	$2,854	$3,011	$3,302	$3,440	$3,521	$3,690
Less:							
Operating Revenues – Market-Based Operations	295	307	355	451	476	528	533
Operating Revenues – Other	(26)	(17)	(18)	(20)	(20)	(22)	(20)
Total pro forma operating revenues – Regulated Businesses	**$2,286**	**$2,564**	**$2,674**	**$2,871**	**$2,984**	**$3,015**	**$3,177**
Less:							
Regulated Purchased Water expense*	100	110	122	122	133	132	142
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**	**$2,883**	**$3,035**
Adjusted O&M efficiency ratio—Regulated Businesses (a)/(b)	**44.2%**	**40.7%**	**36.7%**	**34.9%**	**35.6%**	**35.2%**	**34.3%**

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*

*** 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.*

**** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) – Revenue Requirement with old Effective Tax Rate*

Reconciliation Table: Consolidated Adjusted EPS

Consolidated Adjusted EPS	For the Twelve Months Ended December 31, 2019	2018
Diluted earnings per share (GAAP):		
Net income attributable to common shareholders	**$3.43**	**$3.15**
Adjustments:		
Loss on sale of Keystone	0.24	-
Income tax impact	(0.05)	-
Net adjustment	0.19	-
Gain on sale of portion of Contract Services Group contracts	-	(0.08)
Income tax impact	-	0.02
Net adjustment	-	(0.06)
Keystone Impairment	-	0.31
Income tax impact	-	(0.08)
Net loss attributable to noncontrolling interest	-	(0.01)
Net adjustment	-	0.22
Freedom Industries Settlement Activities	(0.02)	(0.11)
Income tax impact	0.01	0.03
Net adjustments	(0.01)	(0.08)
Impact of re-measurement from the TCJA	-	0.07
Total net adjustments	0.18	0.15
Adjusted diluted earnings per share (non-GAAP)	**$3.61**	**$3.30**

Reconciliation Table: Adjusted Return on Equity

	LTM June 30, 2019	LTM June 30, 2020
Net Income	$582	$638
Adjustments:		
Keystone Sale	-	44
Keystone Impairment	54	-
Contract Services Gain on Sale	(14)	-
Tax Impact for items above	(11)	(9)
Re-measurement from Tax Reform	12	-
Adjusted Net Income from Continuing Operations (a)	**$623**	**$673**
Shareholders' equity	$6,027	$6,243
Adjustments:		
Keystone Sale	-	44
Keystone Impairment	54	-
Contract Services Gain on Sale	(14)	-
Tax Impact for items above	(11)	(9)
Re-measurement from Tax Reform	12	-
Adjusted Shareholders' Equity (b)	**$6,068**	**$6,278**
Adjusted Return on Equity (a/b)	**10.3%**	**10.7%**