

American Water 2018 Guidance Conference Call
WE KEEP LIFE FLOWING™



AMERICAN WATER

NYSE: AWK

Forward-Looking Statements



Ed Vallejo
Vice President, Investor Relations

Forward-Looking Statements and Other Information

Certain statements in this presentation including, without limitation, 2017 and 2018 earnings guidance, projected long-term earnings growth, the outcome of new and pending acquisition activity, O&M efficiency ratio targets, estimated revenues from rate cases and other government agency authorizations, the level of future capital expenditures and rate base growth, future dividend growth, estimates regarding the company's projected financial condition and net operating loss position, and the outcome and impact of proposed tax reform legislation, 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," "likely," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the preliminarily approved global class action settlement related to this chemical spill; weather conditions and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

December 2017

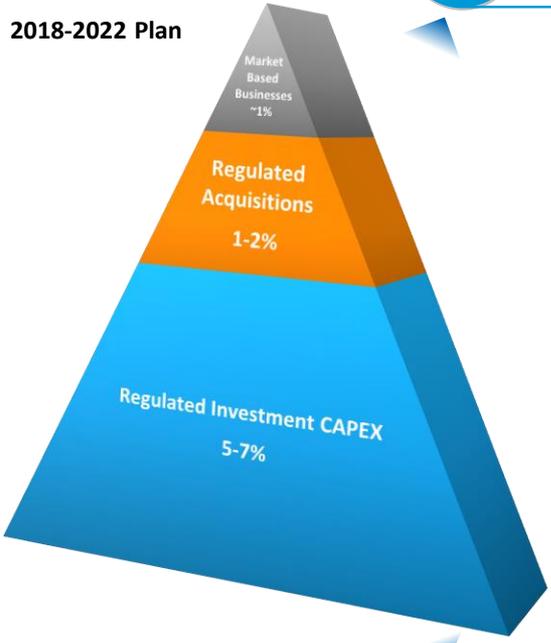
Strategy Overview



Susan Story
President and Chief Executive Officer

Headlines from Today's Call

2018-2022 Plan



Maintaining 7 – 10%* five-year EPS CAGR, affirming narrowed 2017 adjusted EPS range, and setting 2018 EPS Guidance at \$3.22 - \$3.32



Investing an expected \$8.0 - \$8.6 billion over the next 5 years with continuing focus on customer affordability



Delivering a more regulated business mix and risk profile



Reinforcing that our market-based businesses provide growth, strategic value and positive cash flow



Expecting to grow our dividend at high end of the long-term 7 – 10%* adjusted EPS growth

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

The More Things Change...the More Our Story Works!

As Things Change...

- **Water Quality Concerns – Is my Water Safe?**

- **Higher Customer Expectations – I Want “What” I Want, “When” and “How” I Want It!**

- **Regulatory Imperatives – Striking a Balance**

- **Technology Breakthroughs – A Better World**

- **Interest Rates: A New Normal?**

- **Infrastructure Replacement – Show Me the Federal Funding!**

- **Tax Reform- What’s In and Out?**



Our Story Works...

- ✓ Industry leader in water R&D
- ✓ Dedicated scientists to emerging contaminants
- ✓ Largest national investor in water projects

- ✓ Working toward “Amazon-like” customer experience
- ✓ Industry leading water quality

- ✓ Leader in finding ways to balance investment, service, and affordability

- ✓ Operational and capital efficiency focus
- ✓ Integrated workforce planning initiatives

- ✓ Continued Investment
- ✓ Continued Growth plus Strong Dividend Growth

- ✓ Business model that works under any scenario

- ✓ More investment without affecting customer bills

Our Company is a Perfect Fit for ESG Investors

Environmental

- Investing five-year **\$7.2 billion** regulated cap ex over 5 years to: address aging infrastructure; reduce/eliminate leaks; improve cyber/physical security; and increase resiliency of critical assets to climate variability
- Setting goal of **reducing GHG emissions 40%** by 2025 from 2007 baseline, after achieving 25% reduction through 2017
- Reducing annual water use by **3.5 billion gallons** through conservation
- Recycling over **2 billion gallons** water annually and producing reuse water at more than 39 facilities
- Prioritizing R&D efforts in water quality and technology with **15 scientists** dedicated to research

Social Responsibility

- **60,000 hours** of annual employee safety training
- **Top Quartile Customer Satisfaction** in the water industry
- **\$387 million** annual spend w/ Tier 1 Diverse Suppliers; Supply Chain dedicated to Human Rights
- More than **4,000 hours** of company-sponsored community service annually by employees
- Donating around **\$750,000 annually** to communities we serve from company-funded American Water Charitable Foundation
- Ensuring a diverse, inclusive culture characterized by respect and dignity of every employee through **“tone at the top”** and required training
- Frequent **employee engagement surveys** with formalized employee action teams
- As of November 1, 2017, **48%** of workforce is in jobs represented by unions
- **88%** of diverse job candidate pools in 2016 with **62%** of transfers/promotions filled by minority, female, veteran or disabled individuals

Governance

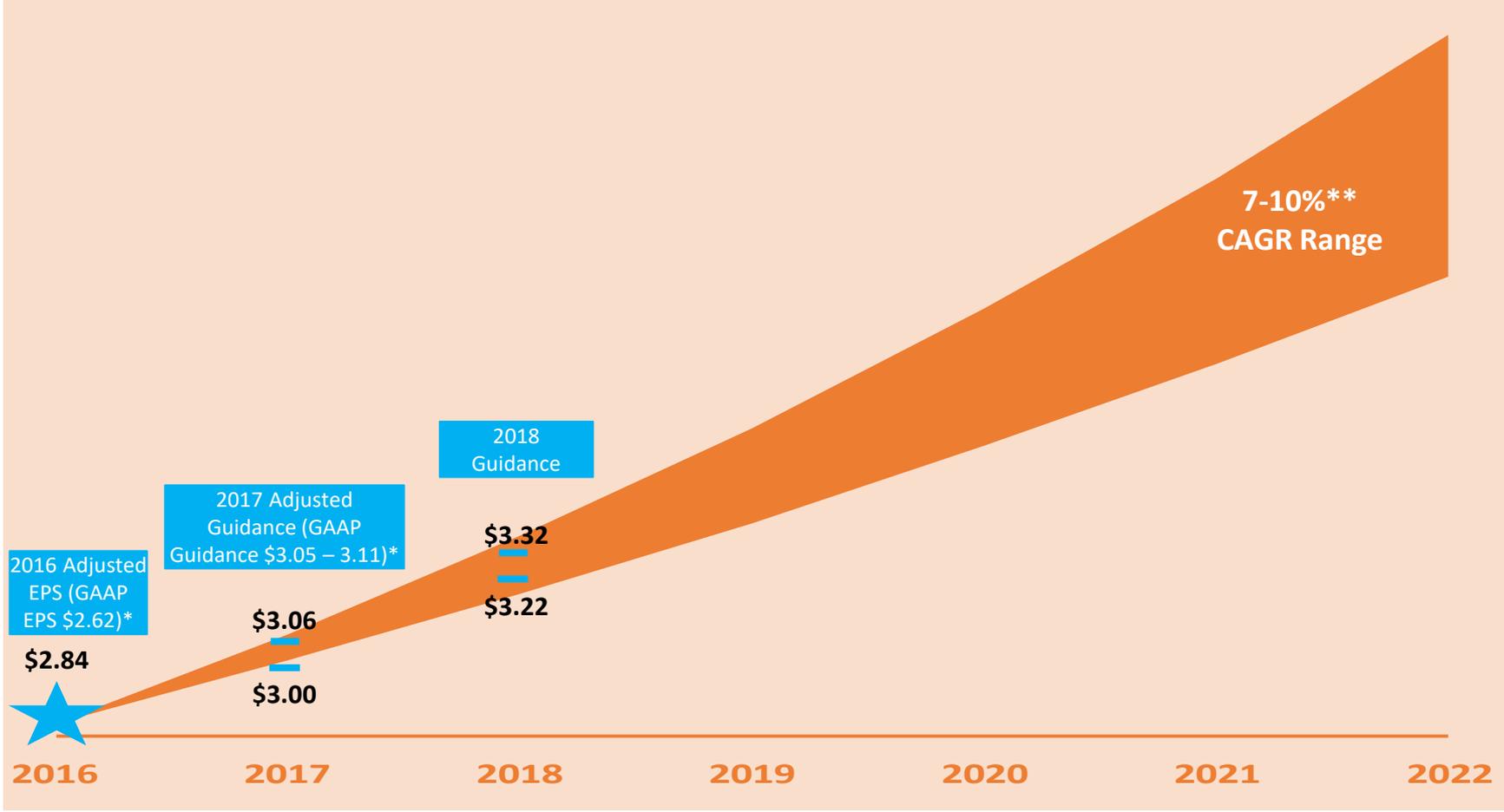
- **Achieving gender parity:** highest number of female board members among S&P 500 companies in 2016; currently at 57% female
- **Ensuring independence:** board is led by an independent, non-executive chair
- **Refreshing board a priority:** average director tenure is 7.2 years as of November 30, 2017
- **Engaging board sufficiently:** board met 13 times in 2016
- **Educating and developing board:** formal director education program with dedicated funding
- **Engaging investors:** robust program for management and board leadership
- **Executive and director stock ownership requirements:** align with long-term interests of our stockholders

AWK Members of:



American Water will Continue to be a High Growth Utility

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



* Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.
 ** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).

The Regulated Business



Walter Lynch
Chief Operating Officer

Our Regulated Story Works...and We Execute on Our Strategies!

Our Story Works...

- **Industry Leader in Water Quality**

- **Continued Infrastructure Investment**

- **Leader in Balancing Investment, Service, and Affordability**

- **Drive Legislation & Regulation to Enable Acquisitions**



We Execute...

- ✓ 15 R&D scientists (includes 8 PhDs)
- ✓ Growing partnership in emerging contaminants
- ✓ Source water monitoring

- ✓ \$7.2 Billion Five Year Regulated Capital Plan
- ✓ \$1.3 Billion increase to better serve customers, address emerging contaminants and climate variability, while keeping customer bill increase to ~3.2%

- ✓ New 32.0%* O&M Efficiency Target by 2022
- ✓ Working Towards “Amazon-like” experience
- ✓ Customer focused technology

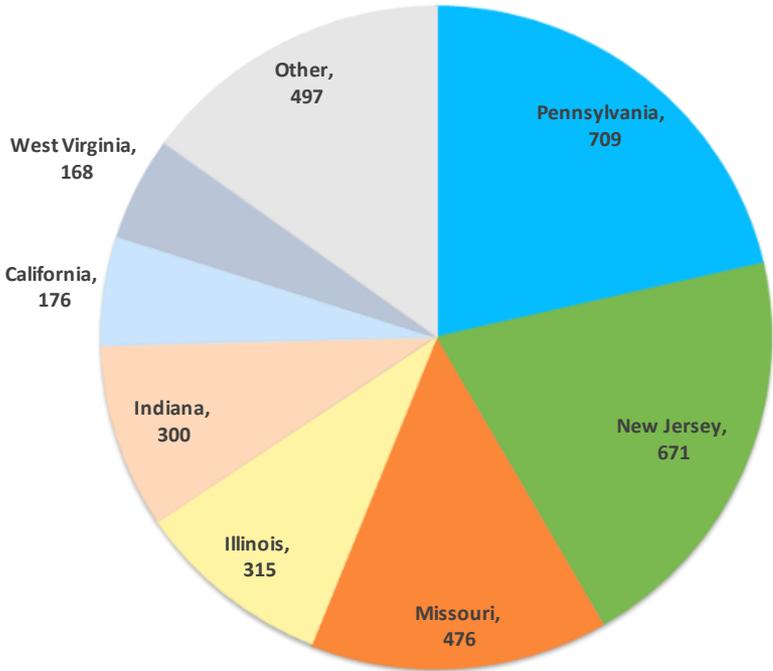
- ✓ Provides Competitive advantage
- ✓ Expands wastewater footprint where we serve water
- ✓ \$0.6 - \$1.2 Billion for Regulated Acquisitions

*Non-GAAP measure. 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 Leading Investor Owned Water Utility Company

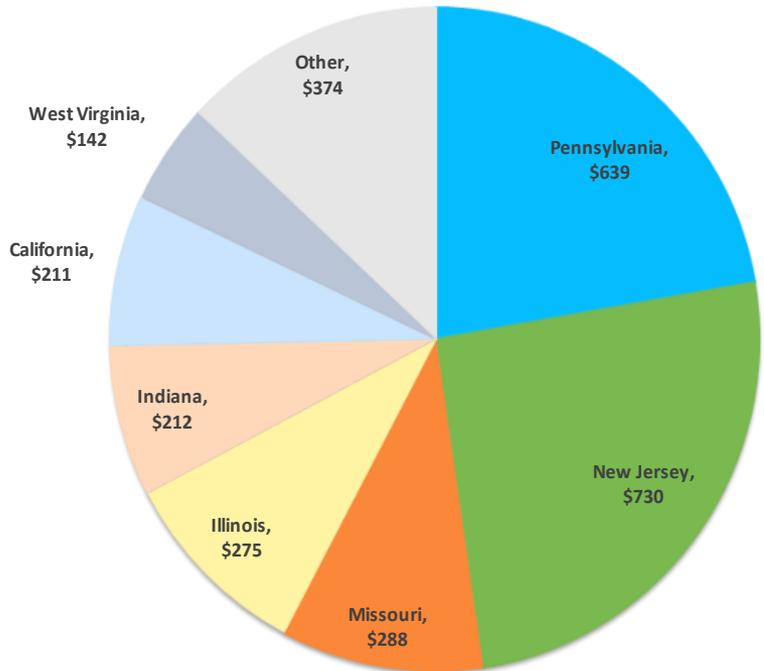
Total Customer Connections

As of December 31, 2016
(in Thousands)



2016 Regulated Revenues

(in Millions)



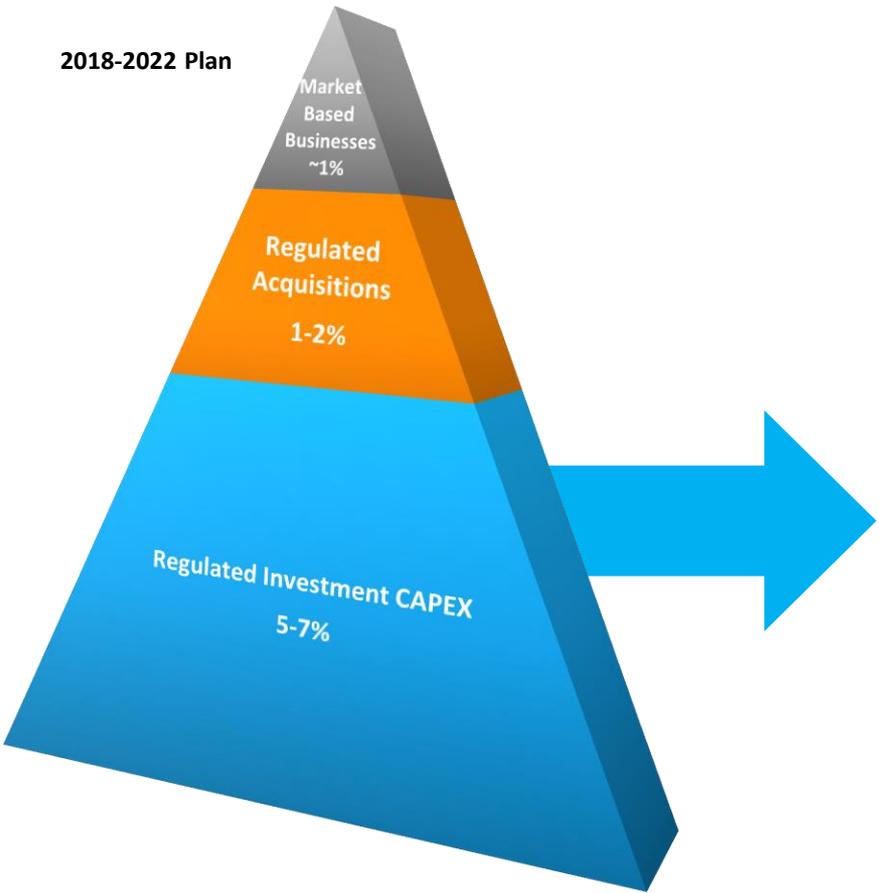
Our Regulated Footprint

- 16 Regulated States
- 3.3 Million Total Customer Connections
- 1,600 Communities Served
- 1 Billion Gallons of Water Treated and Delivered Daily

December 2017

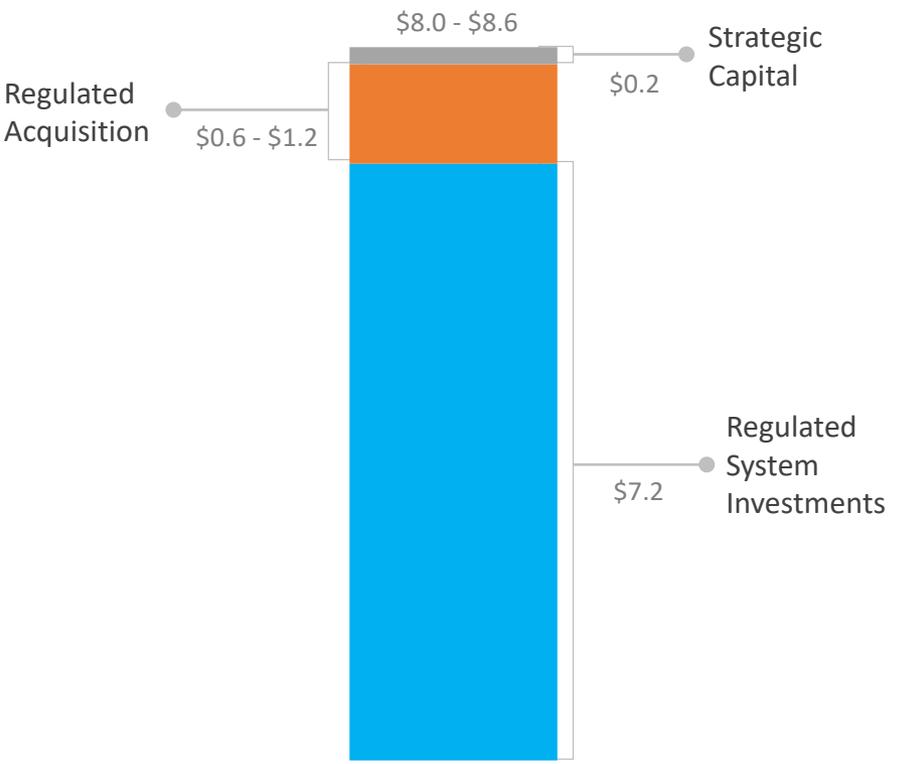
U.S. Water & Wastewater Infrastructure Faces Multi-Decade Investment Needs

New Jersey American Water Breaks Ground on \$65 Million Flood Protection Project



Regulated Investment: \$8.0 - \$8.6 Billion of Investments from 2018 – 2022; \$7.2 Billion for Regulated Systems

2018-2022 Capital Expenditure by Category (In \$ Billions)



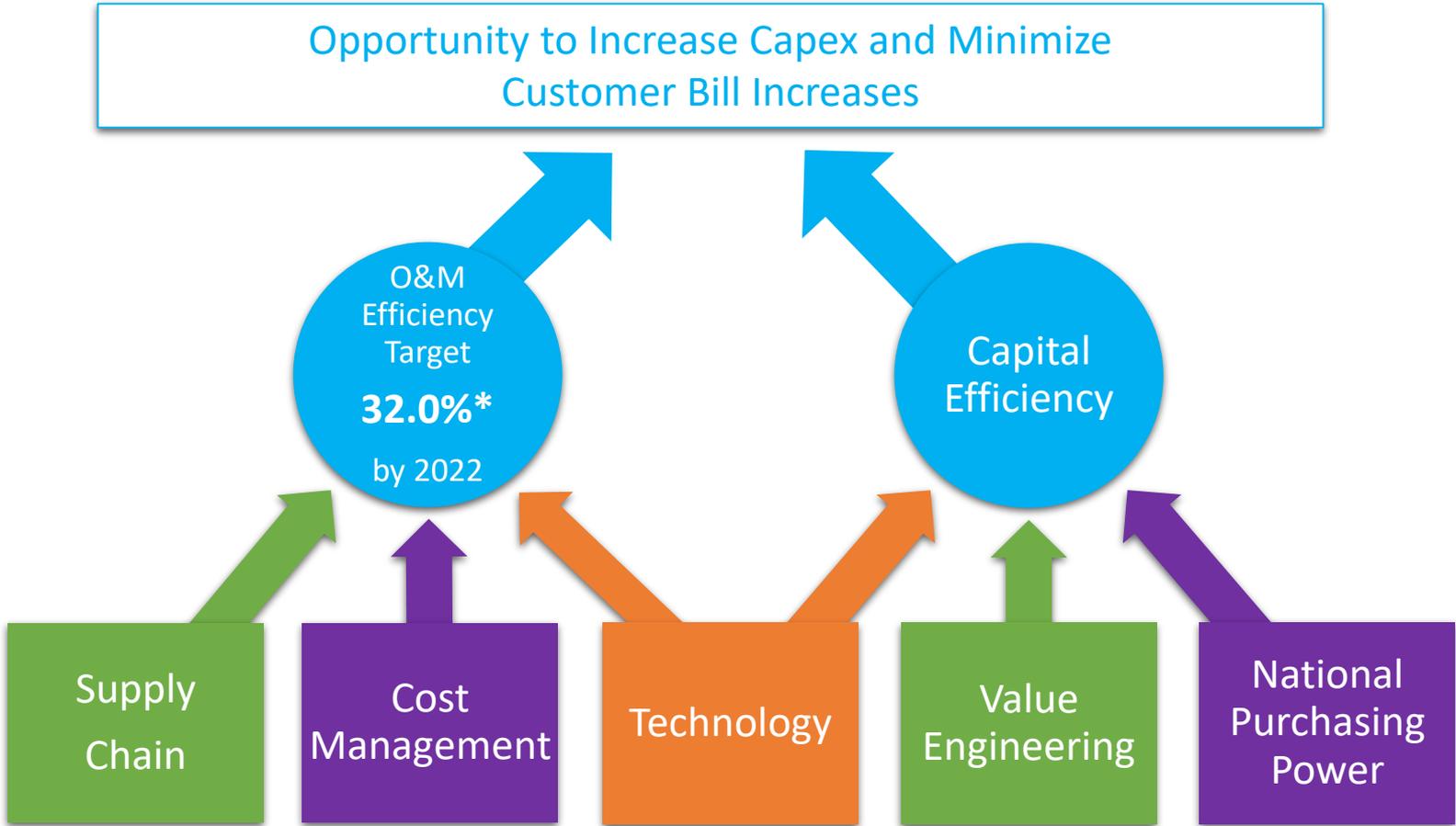
Continued Smooth Deployment of Capital

Why the Additional \$1.3 Billion of Infrastructure Spend



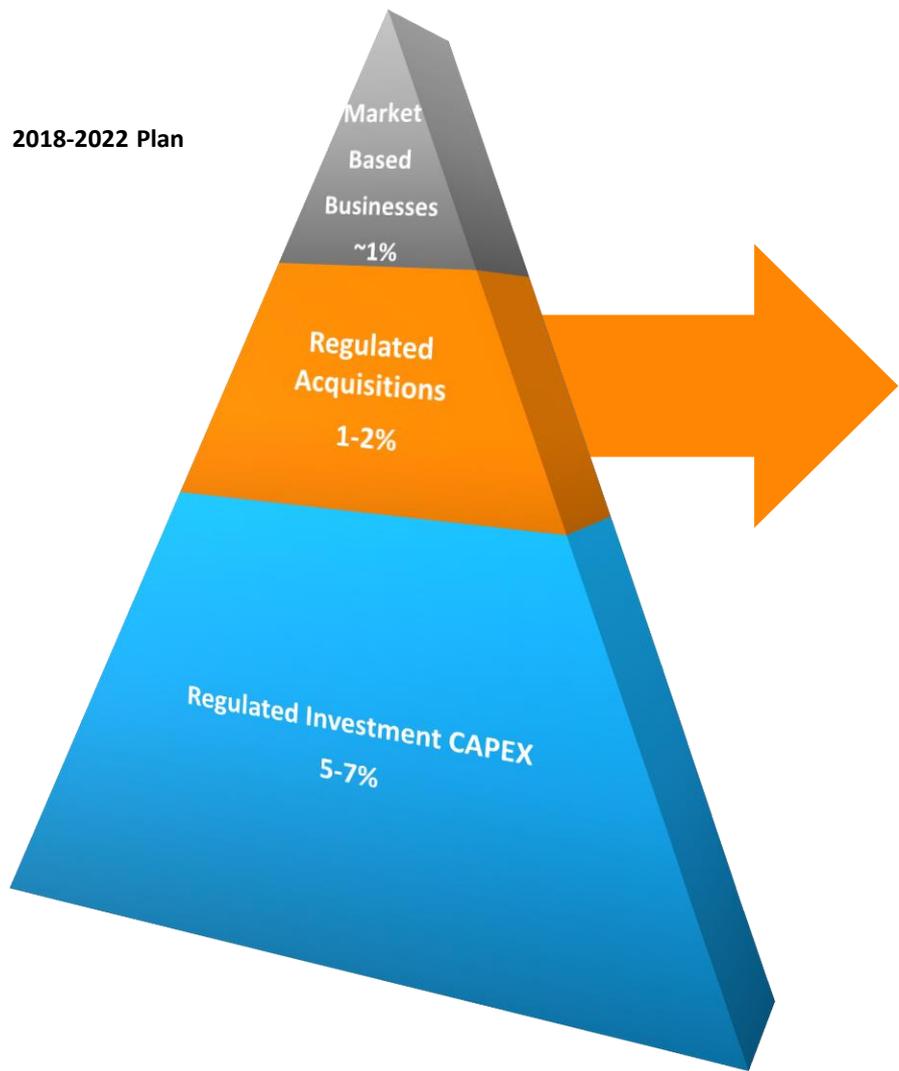
- Continue addressing water and wastewater infrastructure challenges
- Increasing water quality complexities with emerging contaminants
- Resiliency and climate variability
- Source water protection

Regulated Investment: Leveraging Our Competencies for Customer Benefits



* Non-GAAP measure. 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. December 2017

Regulated Acquisitions: Highly Fragmented Water Industry Creates Opportunity



Industry Opportunity

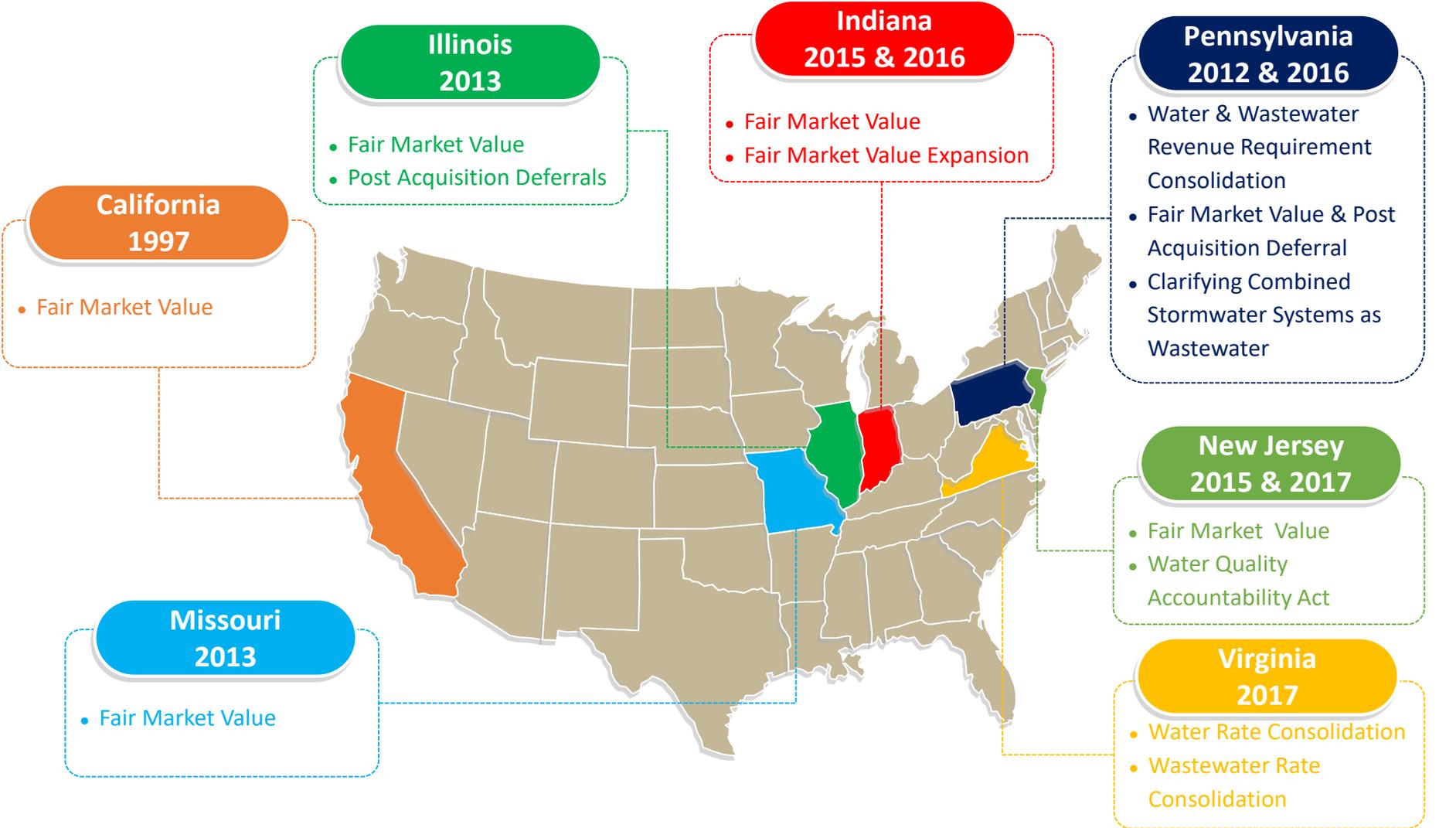


American Water Footprint

- ✓ Ideal Fit for Industry Consolidation Opportunities
- ✓ Target 5k – 30k Customer Connections Per Acquisition
- ✓ Wastewater Focus (Customer Connections Mix – 95% Water & 5% Wasterwater)

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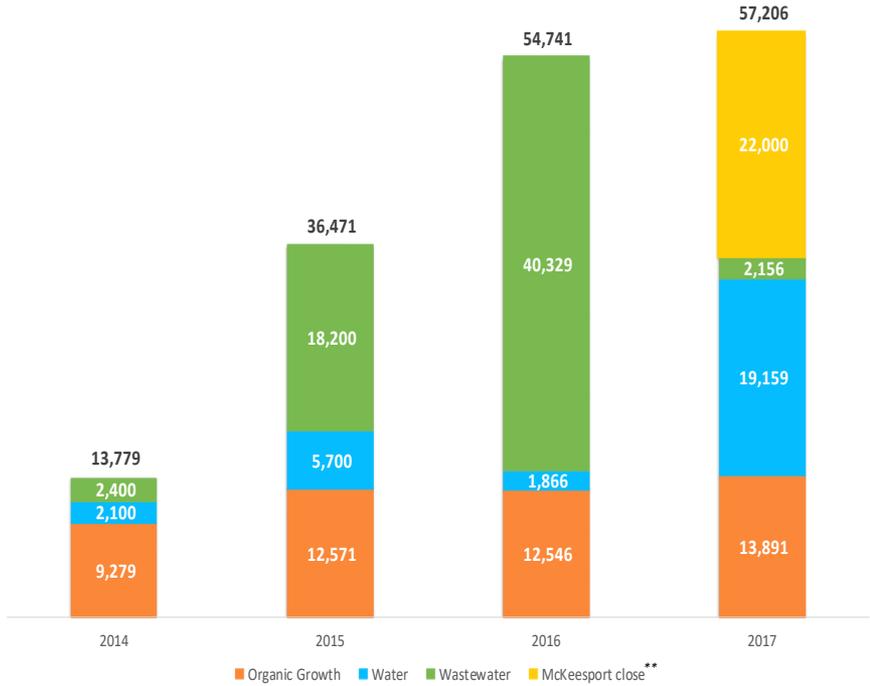
Regulated Acquisitions: State Legislation that Enables with Water & Wastewater System Consolidation



December 2017

Regulated Acquisitions: Adding Customers Through Acquisitions and Organic Growth

Customer Additions from Organic Growth and Closed Acquisitions 2014 – 2017 (with McKeesport close by year end)*



We also have ~**23,500** pending customer acquisitions with McKeesport close by year end (45,500 without McKeesport close by year end)

Selected Upcoming Acquisition Opportunities

	Approximate Customers
Target A	30,000
Target B	30,000
Target C	23,200
Target D	20,800
Target E	20,100
Target F	16,500
Target G	14,500

Over **330,000** Customer Connection Opportunities in Development

*2017 Organic growth through September 30, 2017 of 10,400 plus an estimated 1,100 additional customers per month for the last 3 months of 2017
 ** The McKeesport, PA acquisition, represents 22,000 customers, due to bulk contracts. Connections to the system will be approximately 11,000

Our Financial Plan



Linda Sullivan
Chief Financial Officer

Our Story Works...and We Deliver on Our Strategies!

Our Story Works...

- **A Business Model that Works**

- **A More Regulated Risk Profile**

- **A Strong Balance Sheet**

- **Tax Reform Under Review**

- **A Top Quartile Dividend Grower**



We Deliver...

- ✓ Affirm 2017 Adjusted EPS Guidance*
- ✓ Strong 2018 EPS Guidance
- ✓ Continued 7 – 10%** Long Term EPS CAGR

- ✓ Regulated: \$8.0-\$8.6 billion needed investment drives more regulated business mix while keeping average customer bill increase to ~3.2%
- ✓ Market-based: strong portfolio growth, capital light and cash flow positive

- ✓ Strong Cash Flow
- ✓ Plan assumes no new equity under normal operating conditions

- ✓ Lower tax rates could benefit our customers

- ✓ Five consecutive years with ~10% growth
- ✓ Expect to grow dividend at top of long term adjusted EPS growth**
- ✓ Target payout ratio 50-60% of earnings

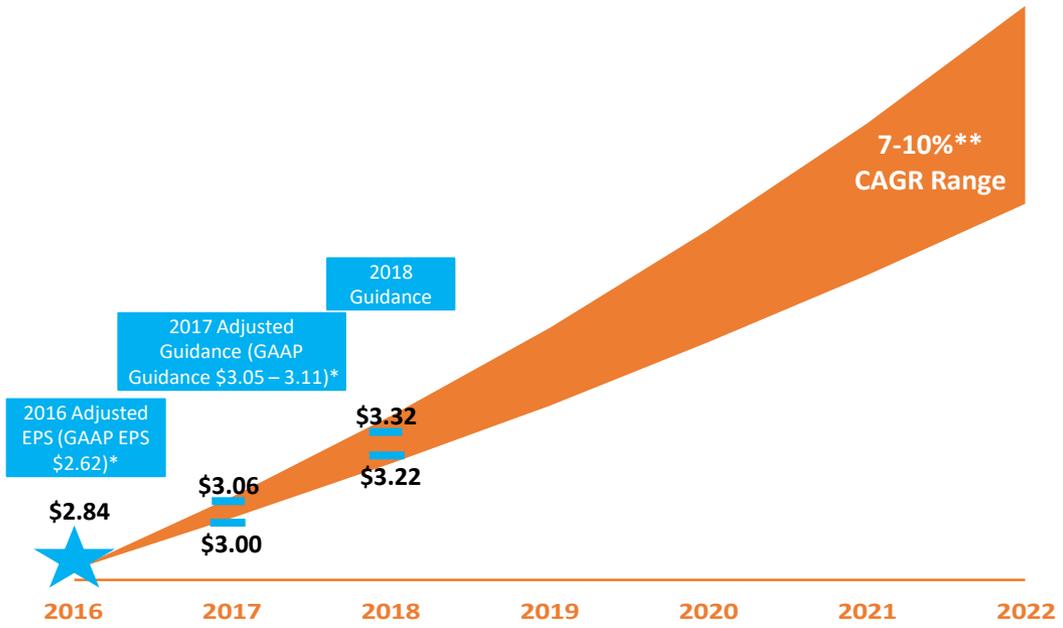
* Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.
** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).

American Water Continues to be a High Growth Utility

Earnings Guidance and Anchor

- ✓ Affirm 2017 EPS Guidance range
 - ✓ GAAP: \$3.05 - \$3.11
 - ✓ Adjusted: \$3.00 - 3.06*
-
- ✓ 2018 EPS Guidance \$3.22 - \$3.32
 - ✓ 8% growth over midpoint of 2017 adjusted guidance**
-
- ✓ Continue Long Term Adjusted EPS CAGR of 7 – 10%**
 - ✓ Anchor moved to 2016 Adjusted EPS*

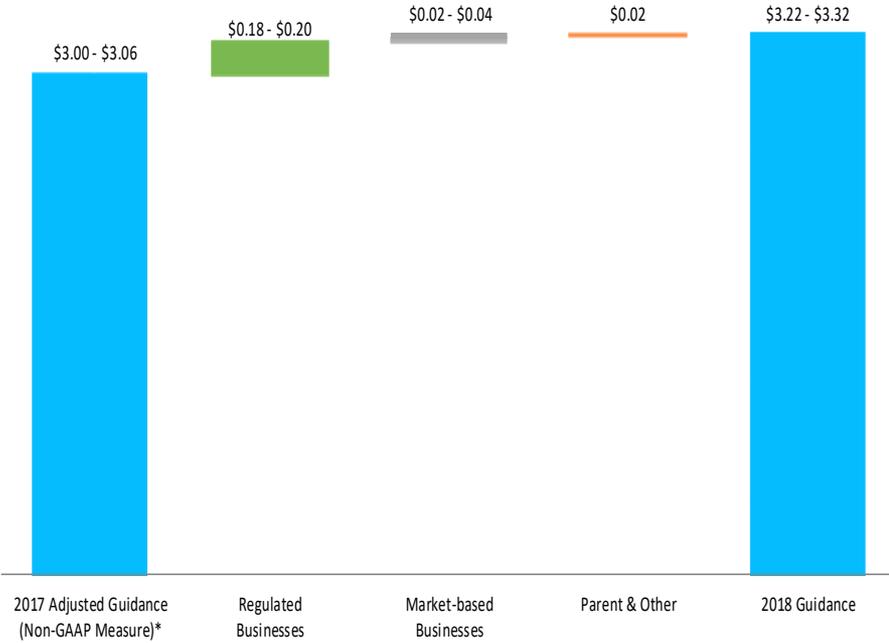
Long Term Adjusted Earnings Per Share Growth CAGR Target of 7-10%** continues through 2022



* Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.
 ** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).

Our 2018 Guidance and Major Variables Included in the Range

2018 Guidance
\$3.22 - \$3.32 EPS

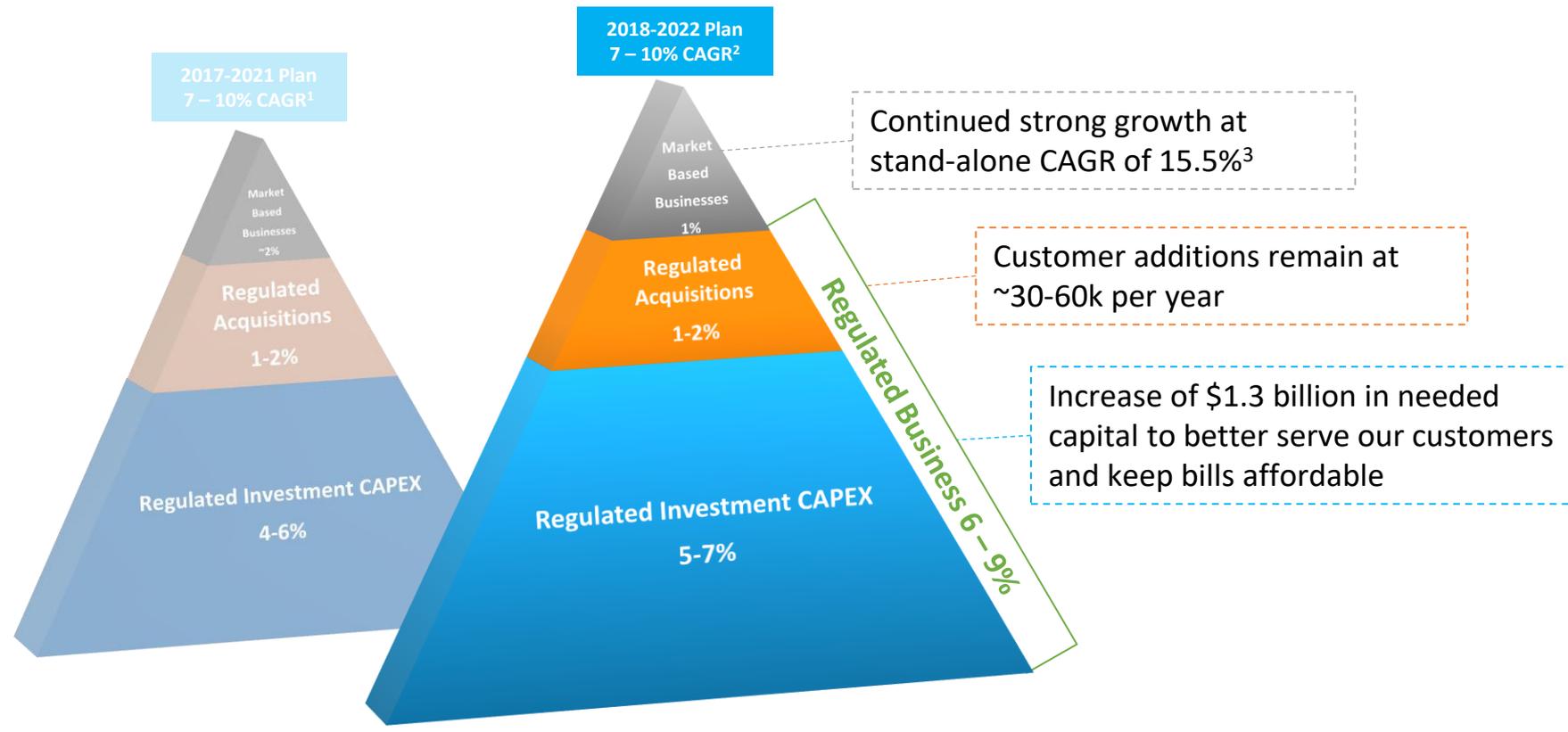


2018 Guidance
Major Variables



*Revised 2017 EPS GAAP guidance \$3.05-\$3.11. Adjusted 2017 EPS guidance is a non-GAAP measure. Please see appendix for reconciliation and further information.

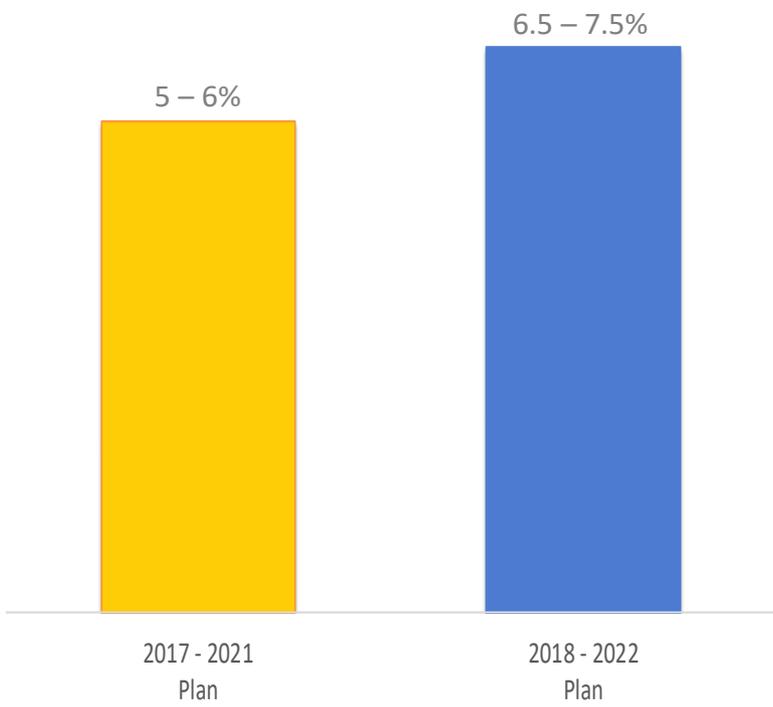
Needed Infrastructure Investment Transitions us to an Even More Regulated Risk Profile



¹ Anchored off of 2015 EPS.
² Anchored off of 2016 Adjusted EPS (a non-GAAP measure).
³ Based on 2018 – 2022 plan and anchored off of 2016 business line results.
⁴ Approximate. Excludes parent and other.

Increased Capital Expenditures Drives Stronger Rate Base Growth

Rate Base CAGR Based on \$8.0 - \$8.6 Billion Capital Plan



Highlights

- ✓ Capital increase to better serve customers results in ~100 basis point increase in rate base CAGR
- ✓ Target O&M efficiency ratio of 32.0%* by 2022 helps keep customer bills affordable

Enhanced Regulated Risk Characteristics

- ✓ Economy of Scale
- ✓ Regulatory Diversity
- ✓ Decades of Capital Needs
- ✓ Mechanisms Accelerate Investment Recovery
- ✓ Low Volatility of Capital Deployment
- ✓ Enabling Legislation

* Non-GAAP measure. 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. December 2017

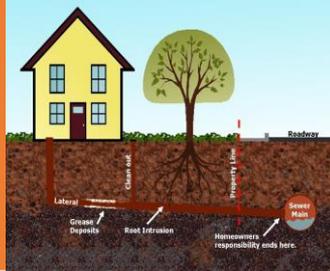
Market-Based Businesses Continue to Provide Strategic Value

Three Primary Businesses

Military Services Group



Homeowners Services Group



Keystone



Highlights

- ✓ 15.5%* Stand Alone Growth CAGR
- ✓ Cash Flow Positive Businesses Help to Support Growth
- ✓ Leverage Size and Scale

Market-Based Risk Characteristics

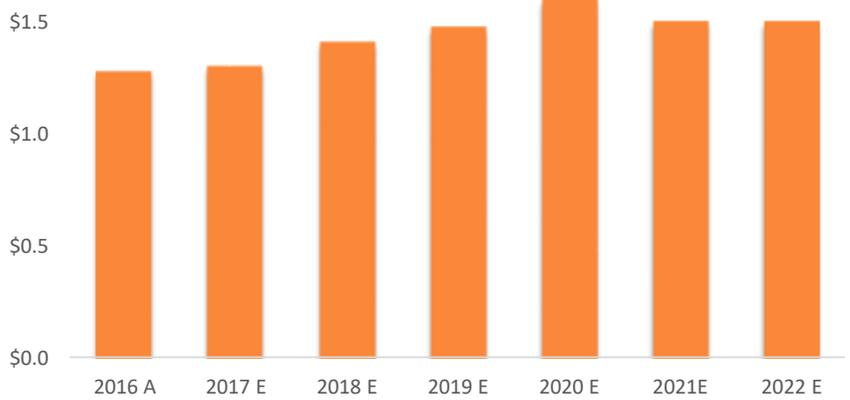
- ✓ Managed Portfolio Risk
- ✓ Complementary water and wastewater services
- ✓ Leverage core competencies
- ✓ Capital light, cash positive
- ✓ Competitive culture

* Based on 2018 – 2022 plan and anchored off of 2016 business line results.

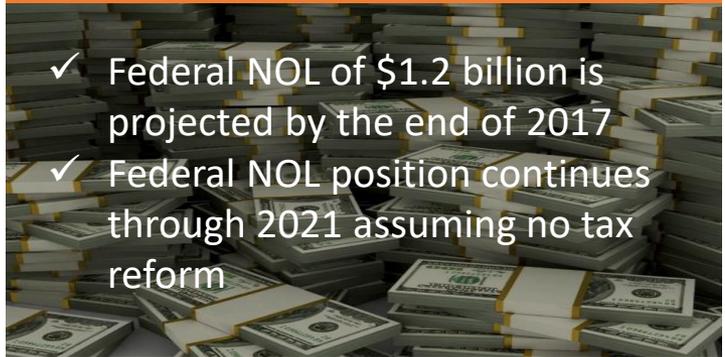
December 2017

Long Term Plan Utilizes Strong Balance Sheet

Cash Flow from Operations



Cash Flow Remains Strong



- ✓ Federal NOL of \$1.2 billion is projected by the end of 2017
- ✓ Federal NOL position continues through 2021 assuming no tax reform

Debt to Total Capital \$8.0 to \$8.6 Billion CapEx Range*



Maintain Strong Balance Sheet

- ✓ Utilize balance sheet
- ✓ No significant debt maturities over next five years
- ✓ Leverage increase to a range of 59% - 60% by 2022

*Includes both fixed rate and short term debt. E denotes estimated.

Tax Reform Remains Uncertain

House Bill

Tax Rate

- 20% corporate tax rate in 2018
- Normalization of excess deferred taxes for regulated businesses

Interest Deductibility/ Accelerated Depreciation

- Potential interest expense deduction limits
 - 30% EBITDA test
- Carve out for regulated utilities

Senate Bill

Tax Rate

- 20% corporate tax rate in 2019
- Normalization of excess deferred taxes for regulated businesses

Interest Deductibility/ Accelerated Depreciation

- Potential interest expense deduction limits
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- Carve out for regulated utilities

Potential Impacts

Tax Rate

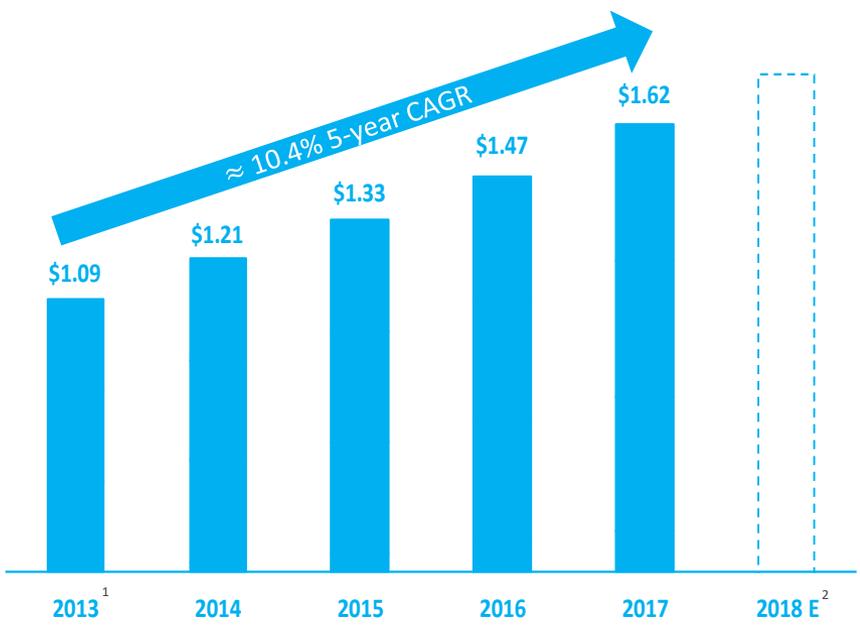
- Benefits regulated customers
- Lowers cash flow and FFO/Debt
- Increases MBB earnings; military contracts true-up
- Increases loss at parent
- Deferred taxes re-measured
 - Regulated normalized
 - Rate Base increased
 - MBB/Parent impacts earnings
- Accelerates timing of becoming cash taxpayer

Interest Deductibility/ Accelerated Depreciation

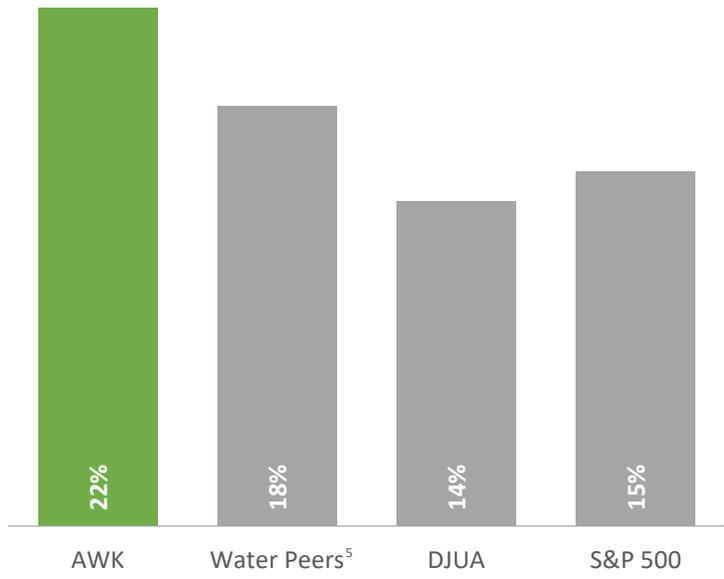
- Regulated carve out keeps interest deduction, does not allow accelerated depreciation
- Parent interest uncertain

A Top Leader in Dividend Growth and Total Shareholder Return

Five Consecutive Years of ~10% Dividend Growth



Annualized 5-Year Total Shareholder Return⁴



Highlights

- ✓ Expect 2018 Dividend to grow at top end of long term EPS growth CAGR for fifth consecutive year
- ✓ Targeted Long Term Dividend Growth CAGR at top end of 7-10% long term adjusted EPS growth³
- ✓ Target payout ratio 50-60% of earnings

¹ The dividend normally paid in 1Q 2013 was actually accelerated and paid in late December 2012 to allow shareholders to take advantage of 2012 dividend tax rates. For the purposes of this presentation, this \$0.25 dividend has been deducted from 2012 and added to 2013 to show the more normal dividend trend.
² Subject to approval by the Board of Directors
³ Anchored off of 2016 Adjusted EPS (a non-GAAP measure)
⁴ As of 11-01-2017 end date. Source: Bloomberg
⁵ Bloomberg custom portfolio weighted by market cap. Water Peers: AWR, CTWS, CWCO, CWT, MSEX, SJW, WTR, YORW

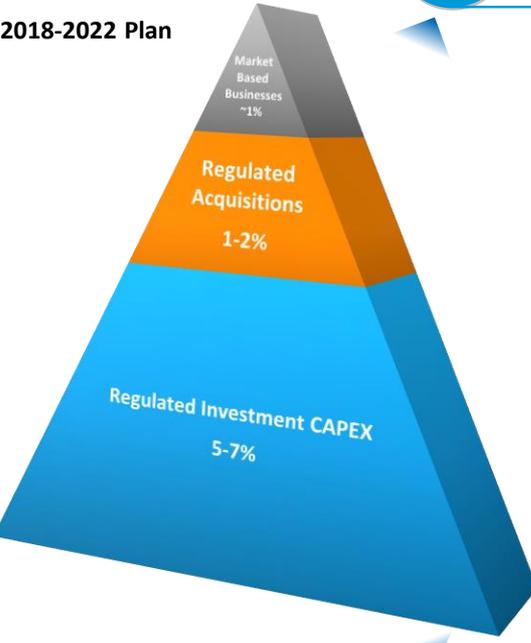
Wrap Up



Susan Story
President and Chief Executive Officer

American Water Continues to be a High Growth Utility - Today's Key Takeaways

2018-2022 Plan



Maintaining 7 – 10%* five-year EPS CAGR, affirming narrowed 2017 adjusted EPS range, and setting 2018 EPS Guidance at \$3.22 - \$3.32



Investing an expected \$8.0 - \$8.6 billion over the next 5 years with continuing focus on customer affordability



Delivering a more regulated business mix and risk profile

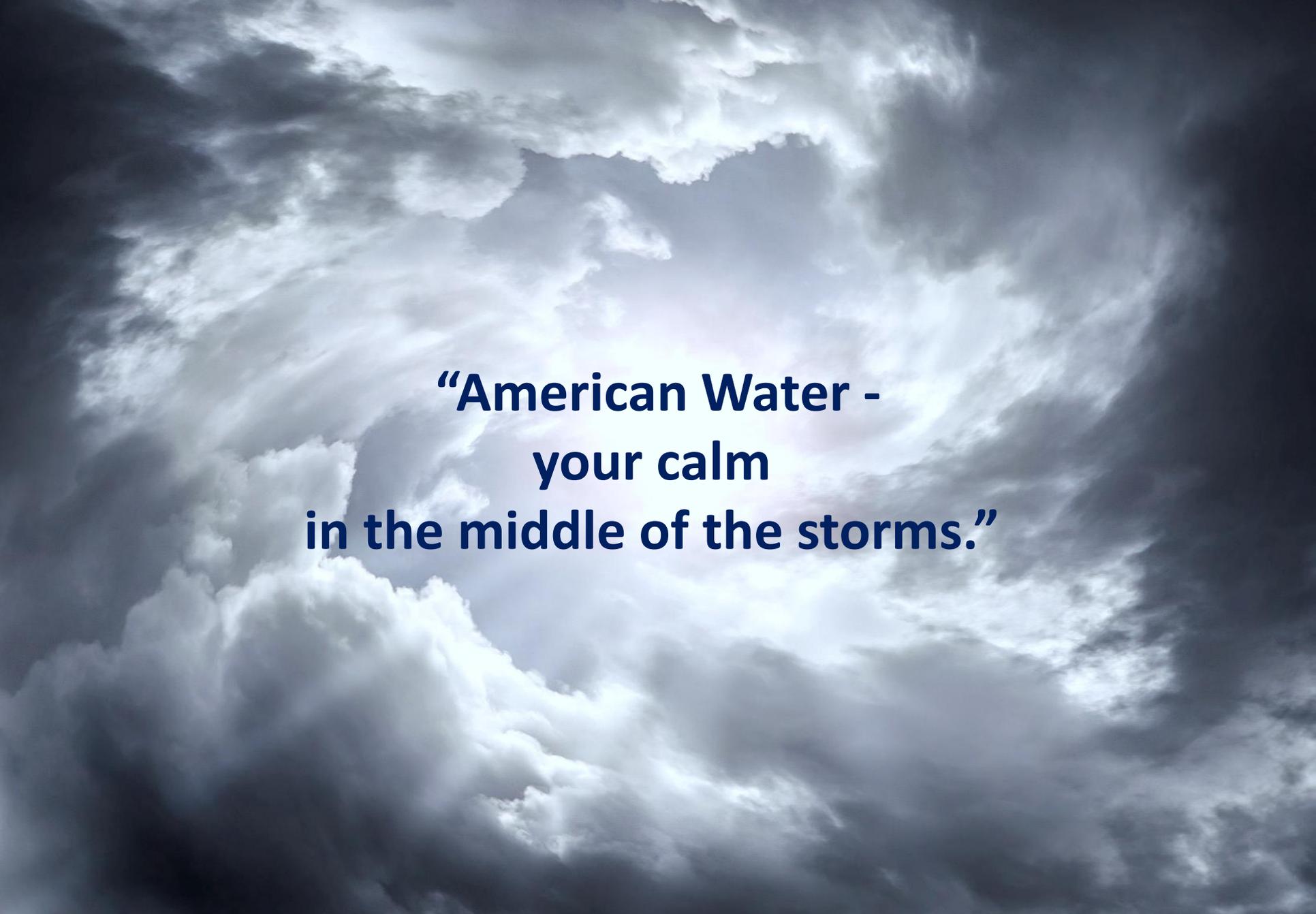


Reinforcing that our market-based businesses provide growth, strategic value and positive cash flow



Expecting to grow our dividend at high end of the long-term 7 – 10%* adjusted EPS growth

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



**“American Water -
your calm
in the middle of the storms.”**



AMERICAN WATER

Q & A Session

Investor Relations Contacts



Ed Vallejo
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Investor Relations
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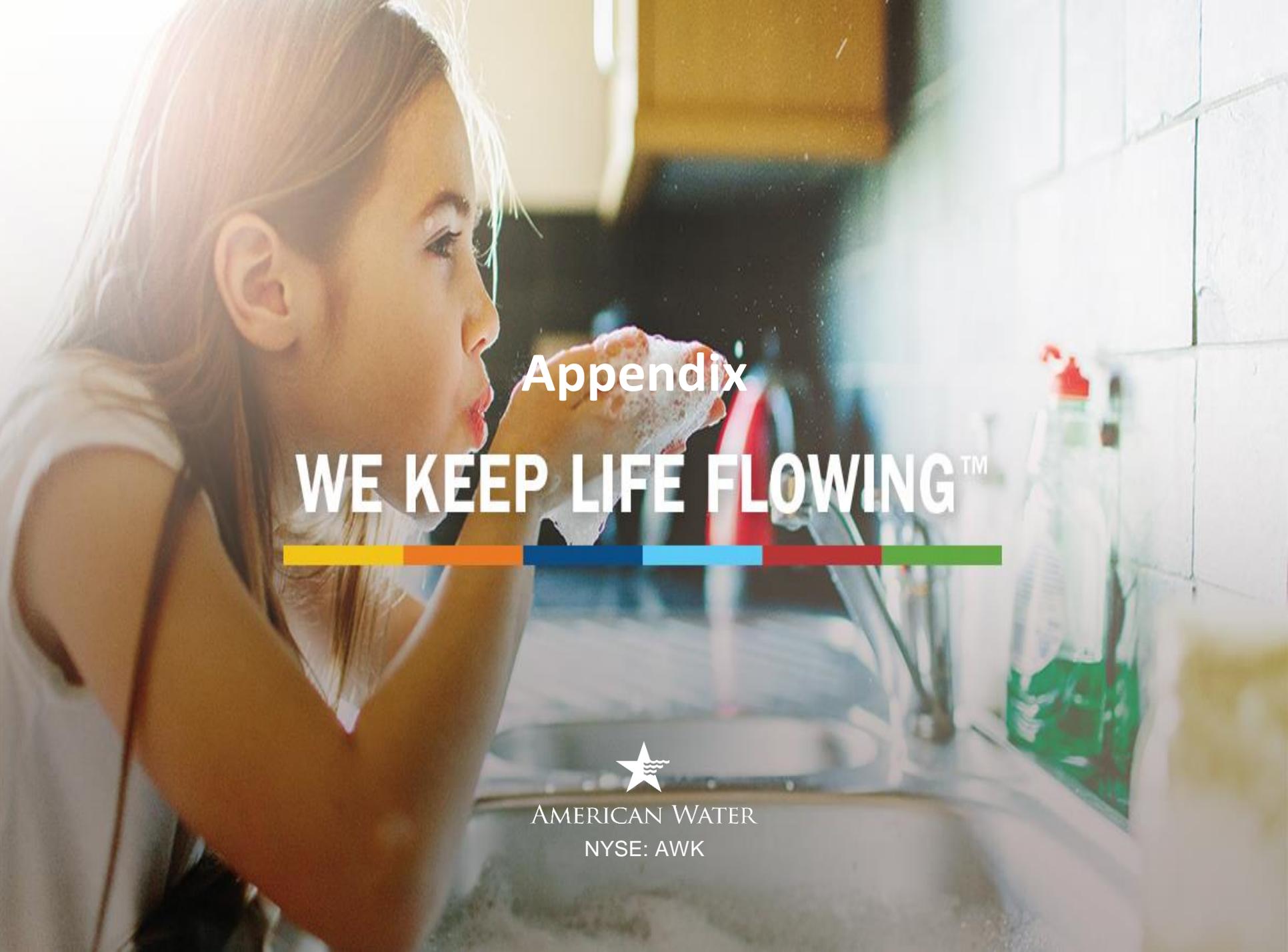


Ralph Jedlicka
Director,
Investor Relations
ralph.jedlicka@amwater.com

Upcoming Events:

February 21, 2018
December 11, 2018

Q4 and Year-End 2017 Earnings Call
2018 Analyst Day, New HQ in Camden, NJ



Appendix

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Non-GAAP Financial Information

This presentation includes adjusted earnings per diluted common share (“Adjusted EPS”) both as 2017 non-GAAP earnings guidance and as the 2016 EPS compound annual growth rate anchor, which constitute “non-GAAP financial measures” under SEC rules. These non-GAAP financial measures are derived from American Water’s consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS as 2017 non-GAAP earnings guidance is defined as 2017 GAAP earnings per diluted common share (“GAAP EPS”), excluding the impact in the third quarter of 2017 of (1) the insurance settlement related to the Freedom Industries chemical spill and (2) the early extinguishment of debt at the parent company. Adjusted EPS as the 2016 EPS compound annual growth rate anchor is defined as 2016 GAAP EPS, excluding the impact in the third quarter of 2016 of the binding agreement in principle to settle claims related to the Freedom Industries chemical spill. Adjusted EPS supplements American Water’s GAAP disclosures and should not be considered as an alternative to the GAAP measure.

Management believes that the presentation of these non-GAAP financial measures are useful to American Water’s investors because they provide an indication of its baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to evaluate American Water’s results of operations, management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. These items are derived from American Water’s consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. The company’s definitions of Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

This presentation also includes regulated O&M efficiency ratios, both historical and forward-looking, which excludes from their calculation for each period presented one or more items, including estimated purchased water revenues and purchased water expenses, the impact of certain activities related to the Freedom Industries chemical spill, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These O&M efficiency ratios constitute “non-GAAP financial measures” under SEC rules. These ratios are derived from American Water’s consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with American Water’s GAAP disclosures and should not be considered an alternative to GAAP measures.

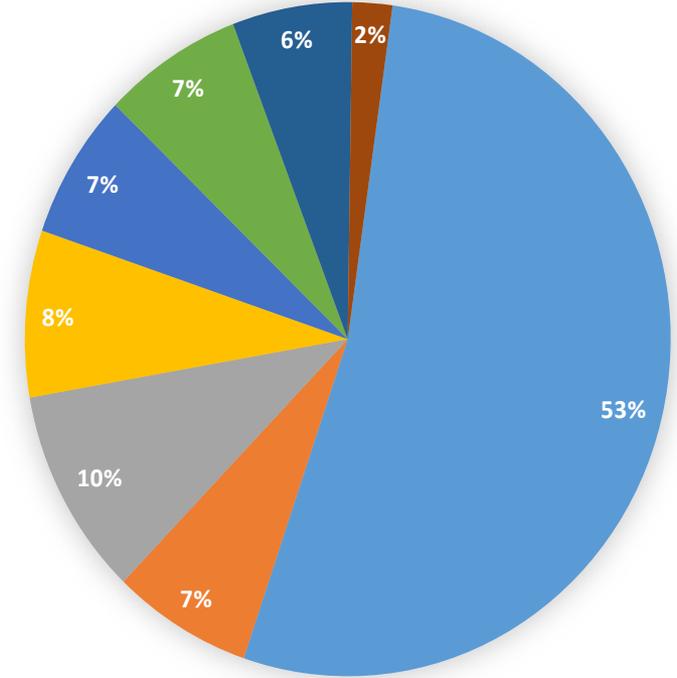
Management believes that the presentation of regulated O&M efficiency ratios is useful to investors because it provides a means of evaluating American Water’s operating performance without giving effect to items that are not reflective of management’s ability to increase efficiency of American Water’s regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical and future performance, management relies, in part, on trends in American Water’s historical results and predictions of future results, exclusive of these items. American Water’s definition of these ratios may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use. American Water is unable to present a reconciliation of adjustments to the components of its forward-looking O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from its most directly comparable GAAP financial measure.

Set forth in this appendix are tables that reconcile Adjusted EPS as 2017 non-GAAP earnings guidance and as the 2016 EPS compound annual growth rate anchor, each to GAAP EPS, and each of the components of its historical O&M efficiency ratios to its most directly comparable GAAP financial measure.

December 2017

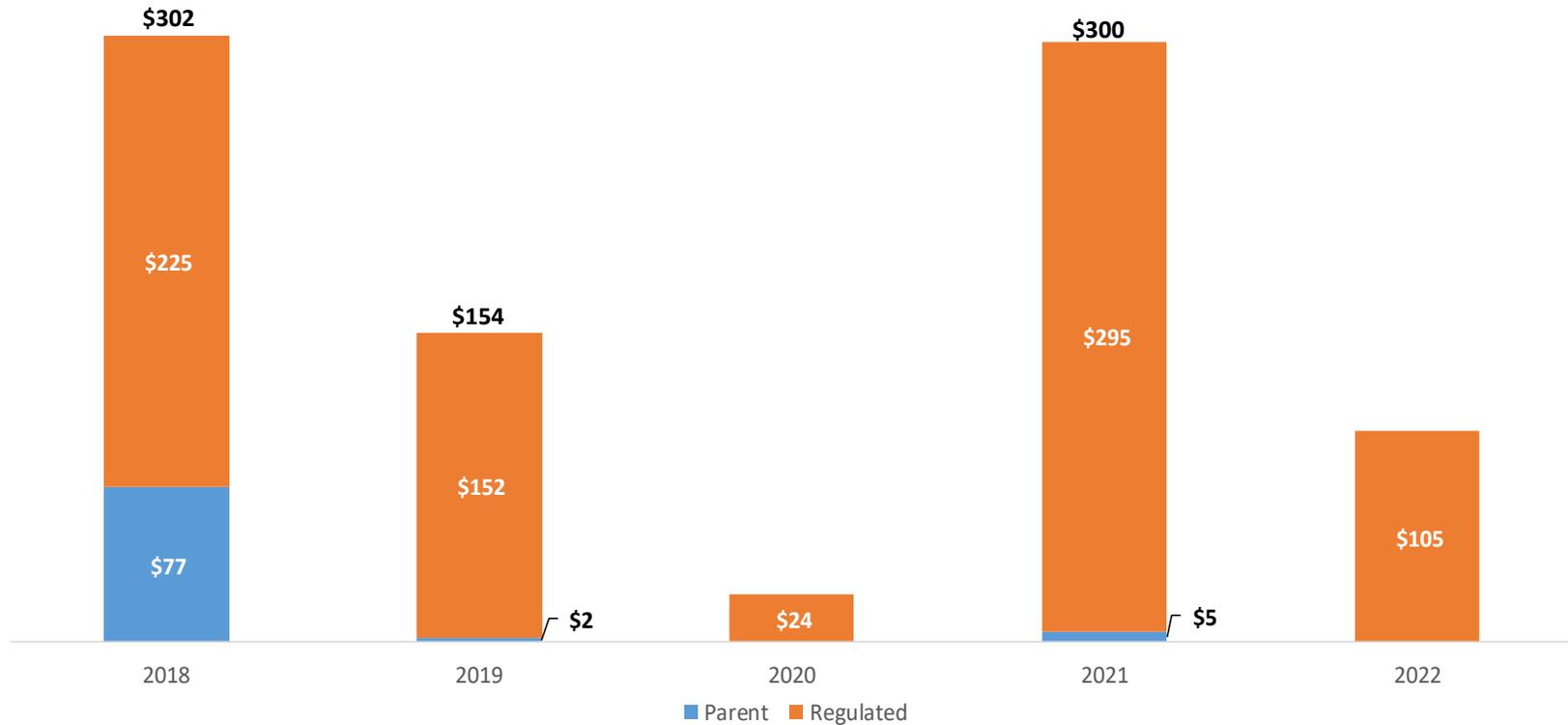
Our Regulated Infrastructure Investment Five-Year Plan

2018 – 2022 Regulated System Investment by Purpose of the \$7.2 Billion



- Asset Renewal
- Asset Renewal-Lead Service Lines
- Organic Growth
- Regulatory compliance
- Reliability/Quality of Service
- Efficiency
- Operational Support
- Other

Our Five-Year Debt Maturity Schedule



Next 5 years	2018-2022	Outstanding (\$ in millions)	Avg Remaining Life (years)	Weighted Avg Interest Rate
	Parent	\$85	1.2	5.63%
	Regulated	\$800	2.5	5.89%
	Total	\$885	2.4	5.87%

Rate Filings Awaiting Final Order

Rate Cases Filed						
Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
California	Case No. A.16-07-002	7/1/2016	\$32	(a)	NA	\$494
Missouri	Case No. WR-2017-0285	6/30/2017	\$84	(b)	10.80%	\$1,345
New Jersey	Case No. WR-17090985	9/15/2017	\$129		10.80%	\$3,025
			\$245			\$4,864
Infrastructure Charges Filed						
New Jersey (DSIC)		10/13/2017	\$4			\$29
Virginia (WWISC)		10/31/2017	\$1			\$9
Tennessee (QIIP, EDI, SEC)		11/7/2017	\$2			\$12
			\$7			\$97
Rate Case and Infrastructure Settlements awaiting Regulatory Approval						
West Virginia (DSIC)		6/15/2017	\$3	(c)		
			\$3			
Total Awaiting Final Order:			\$255			

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

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

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

Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries										
	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$439,448		\$883,386		\$841,915	(b)	\$405,704	(b)	\$1,132,843	(b)
Authorized ROE	9.99%	(a)	9.79%		9.75%		9.70%	(e)	9.75%	(e)
Authorized Equity	53.00%	(a)	49.80%		41.55%	(c)	47.36%	(d)	50.04%	(d)
Effective Date of Rate Case	1/1/2015	(a)	1/1/2017		1/29/2015		8/28/2016		7/20 & 7/22/2016	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$2,386,790		\$275,463		\$3,162,597	(b)	\$155,747		\$529,212	
Authorized ROE	9.75%		9.10%		10.00%	(e)	9.25%		9.75%	
Authorized Equity	52.00%		46.00%		53.75%	(d)	46.09%		45.84%	
Effective Date of Rate Case	9/21/2015		6/1/2017		1/1/2018		5/24/2017	(f)	2/25/2016	

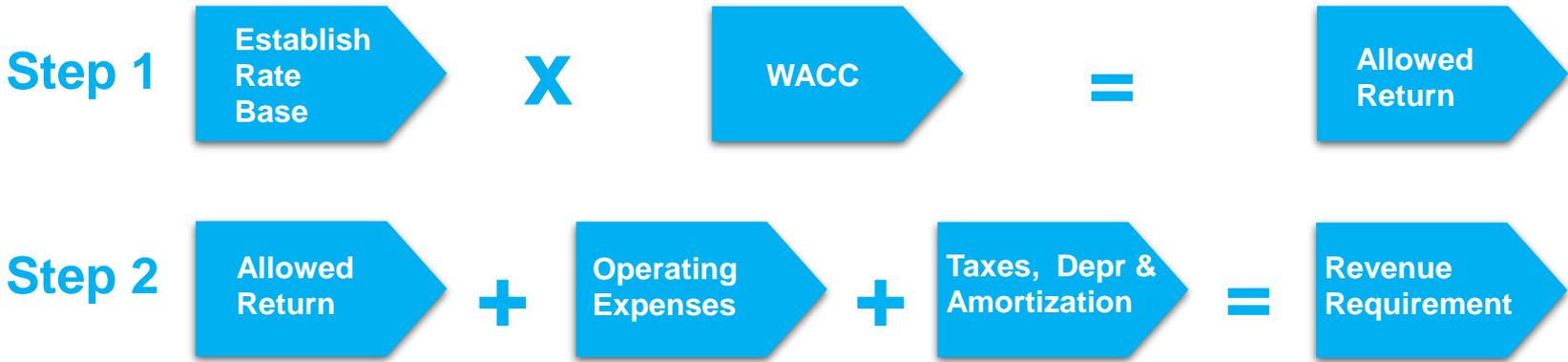
*Rate Base stated in \$000s

Notes:

- CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application, A.17-04-003 was filed April 3, 2017 with a projected effective date in 2018.
- 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.
- 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.
- 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.
- 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.
- Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

How American Water Grows Earnings: Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

How O&M Efficiency Translates to Investment Growth

Saving \$1 in opex vs investing \$7 in capital at allowed ROE, keeps customer bills neutral and can create \$0.35 in sustainable earnings

	\$1 Expense Savings	> \$7 Invested Capital
a) Revenue Requirement	\$ 1.00	\$ 1.00
Expenses		
O&M	0.96	\$ -
Depreciation	-	\$ 0.18 ²
Interest Expense	-	\$ 0.17 ³
Property & General Taxes	0.04 ¹	\$ 0.08 ⁴
b) Total Expenses	1.00	\$ 0.43
c) Operating Income (=a-b)	-	\$ 0.57
d) Federal & State Income Taxes	-	\$ 0.22 ⁵
e) Net Income to Shareholder (=c-d)	\$ -	\$ 0.35 ⁶

¹ Assumes 4% taxes on revenue (gross receipts e.g.)

² Assumes 2.5% depreciation expense

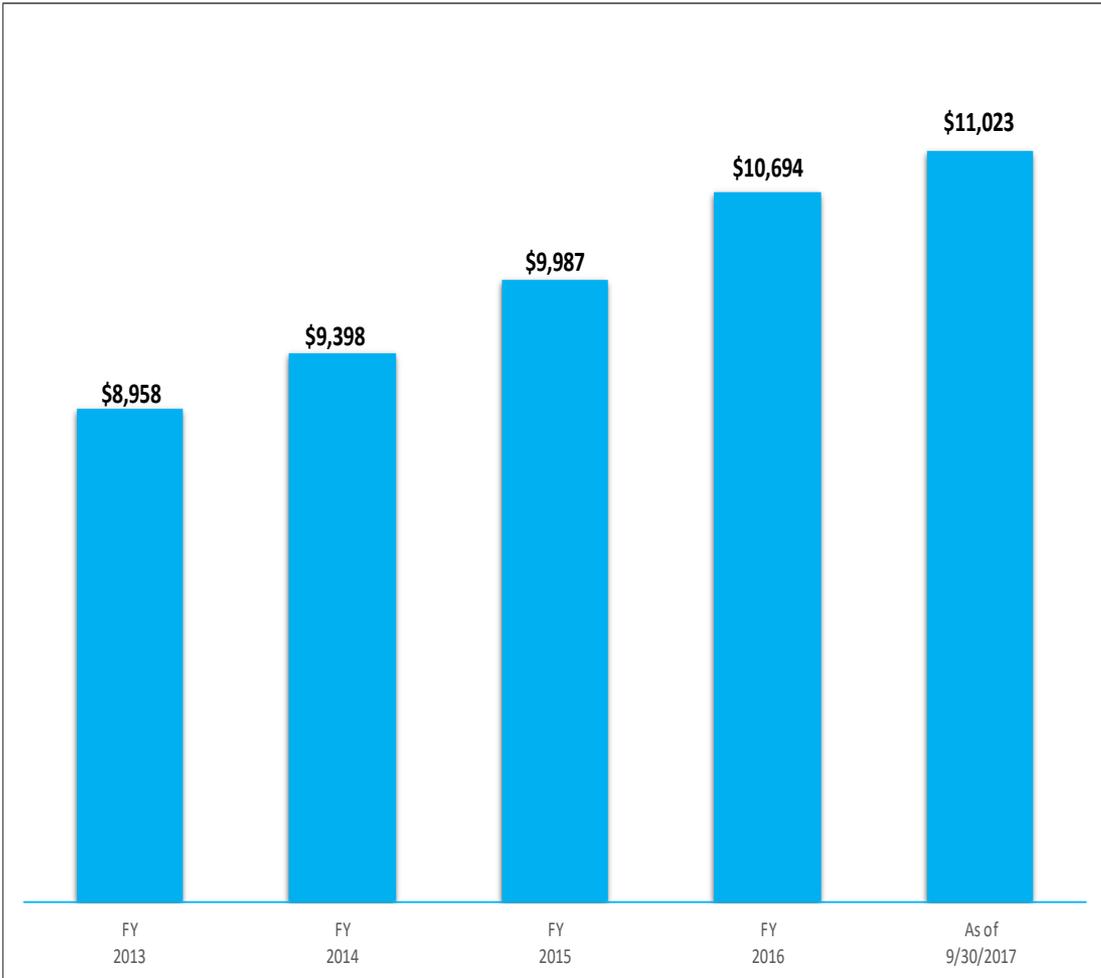
³ Assumes 50.2% debt financing at 4.9%

⁴ Assumes property taxes on invested capital of 0.5% and revenue taxes of 4%

⁵ Assumes effective income tax rate of 39.2%

⁶ Assumes authorized ROE of 9.9% on 49.8% equity

Rate Base Calculation*



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

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

Reconciliation Tables: 2016 Earnings per Share & 2017 Guidance Range

Earnings per Share		Full Year
		2016
Diluted earnings per share (GAAP):		
Net income attributable to common stockholders		\$ 2.62
Non-GAAP adjustments:		
Impact of Freedom Industries Binding Global Agreement in Principle		0.36
Income tax impact		(0.14)
Net non-GAAP adjustment		0.22
Total net non-GAAP adjustments		0.22
Adjusted diluted earnings per share (non-GAAP)		\$ 2.84

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

Closed and Pending Acquisitions as of November 30, 2017

2017 Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	1,764	-	1,764
Indiana	1	1,300	-	1,300
Iowa	1	718	-	718
Illinois	3	700	120	820
Missouri	3	500	434	934
New Jersey	1	11,212	-	11,212
New York	5	360	-	360
West Virginia	1	215	-	215
Total	17	16,769	554	17,323

Pending Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	4	8,629	-	8,629
Illinois	5	2,448	2,306	4,754
Indiana	2	6,165	-	6,165
Kentucky	1	610	-	610
Pennsylvania*	3	-	25,062	25,062
Missouri	4	176	192	368
Total	19	18,028	27,560	45,588

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