

A photograph showing three hands holding clear glasses. Each glass contains a slice of lime floating in water. The hands belong to different people, suggesting a group toast. The background is slightly blurred, showing what appears to be a restaurant or bar setting.

Investor Presentation

June 2018



AMERICAN WATER

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2018 earnings guidance, projected long-term earnings and dividend growth, the level of future capital expenditures, estimates regarding our projected financial condition, the projected growth and size of the market-based businesses, our projected operation and maintenance efficiency ratio, the outcome of pending acquisition activity, projected impacts of the Tax Cuts and Jobs Act (the "TCJA") on our business, results of operations, cash flows and liquidity, and the estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in our Annual Report on Form 10-K for the year ended Dec. 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill; our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business; exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers; our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of our operations; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the shale natural gas exploration and production market; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the 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; migration of customers into or out of our service territories; the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us; difficulty or inability to obtain insurance, the inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained; the incurrence of impairment charges related to our goodwill or other assets; labor actions, including work stoppages and strikes; the ability to retain and attract qualified employees; civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the acquisition of Pivotal Home Solutions; unexpected costs, liabilities or delays associated with this acquisition or the integration of Pivotal's business; and the impact of new, and changes to existing, accounting standards.

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

June 2018

Why Invest in American Water



**Clear, Transparent
Story into the
Future**

- ✓ Decades of infrastructure investment needed
- ✓ Fragmented national water and wastewater landscape
- ✓ Line of sight to \$8.4-\$9.0 billion of 5 year capex (includes Pivotal acquisition)
- ✓ Capital-light M&B leverages core competencies, generates cash



**Demonstrated
Execution of
Strategy**

- ✓ Five year TSR of 175%
- ✓ Long-term growth expected in top half of 7-10%* target EPS CAGR guidance through 2022 including Pivotal acquisition and tax reform
- ✓ "A/A3" credit rating with strong balance sheet
- ✓ Continuing to be more efficient in both O&M and capital costs
- ✓ Leader in water quality and R&D



**Low Risk,
Regulated
Water Utility**

- ✓ Multi-decade capital deployment needed
- ✓ Hundreds of water projects per year reducing risk of single projects
- ✓ Multiple state regulatory jurisdictions reduce both weather and regulatory risks
- ✓ Enabling legislation and mechanism to support regulated investment



**Commitment
to Shareholders**

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

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

June 2018



AMERICAN WATER

NYSE: AWK

www.amwater.com

3

American Water is an Environmental, Socially Responsible, and Governance (ESG) Investment

Environmental

- Capital investment:** Expect to spend between \$8.4 billion and \$9.0 billion of 5 year total capital investment (includes Pivotal acquisition), to address aging infrastructure, reduce/eliminate leaks, improve cyber/physical security, and increase resiliency of critical assets to climate variability
- GHG emissions:** Goal of reducing 40% by 2025 from 2007 baseline, after achieving 26% reduction through 2017
- Annual water use:** Reducing by 3.5 billion gallons through conservation
- Recycling:** Over 1 billion gallons water annually and producing reuse water at 30 of our facilities
- Research & Development:** 15 scientists dedicated to research and partnering with water research foundations, on water quality and technology
- Collaboration:** EPA, CDC and other agencies to support effective environmental, health and safety, and water quality standards and regulations

Socially Responsible

- Training:** 60,000 hours of annual employee safety training
- Customer satisfaction:** Top Quartile in the water industry
- Supply chain:** \$385 million annual spend w/ Tier 1 Diverse Suppliers
- Community service:** More than 4,000 hours of company-sponsored events
- Charity support:** Sponsored national workplace giving campaigns with the United Way and Water For People, as well as supporting our employees' own charitable endeavors through the American Water Charitable Foundation
- Culture:** Ensuring a diverse, inclusive culture characterized by respect and dignity of every employee through "tone at the top" and required training
- Employee engagement:** Frequent surveys with formalized employee action teams
- Union representation:** As of December 31, 2017, 46% of workforce is in jobs represented by unions
- Diverse job candidate pools:** 85% in 2016 with more than 50% of transfers/promotions filled by minority, female, veteran or disabled individuals

Governance

- Achieving gender parity:** highest proportion of female board members among S&P 500 companies in 2017; 50% female as of March 2018
- Ensuring independence:** board is led by an independent, non-executive chair
- Refreshing board a priority:** average director tenure is 6.0 years as of March 1, 2018; 5 of 8 directors < 4 years' tenure
- Engaging board sufficiently:** board met 12 times in 2017
- Educating and developing board:** director education program with dedicated funding
- Engaging investors:** robust program for management and board engagement
- Executive and director stock ownership requirements:** aligns with long-term interests of our stockholders
- Board engages directly with front-line employees:** through off-site board meetings, external stakeholder reception, and meetings with "high potential" leaders

AWK Members of:



2017 Constituent
MSCI Global
Sustainability Indexes



AMERICAN WATER

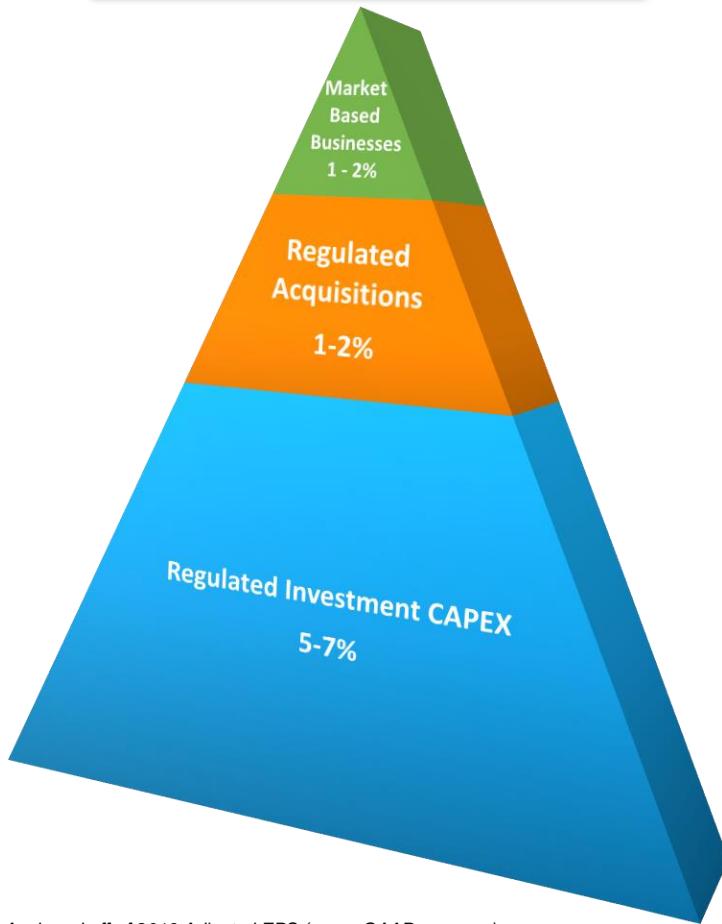
NYSE: AWK

June 2018

www.amwater.com

American Water Long-term Outlook

2018 - 2022 Plan
7-10%* EPS CAGR



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

** Subject to board approval

Long-term Highlights

- Expected to deliver in top half of **7-10%*** target EPS CAGR guidance through 2022 including Pivotal acquisition and tax reform
- Affirming estimated **\$8.4 - \$9.0** billion (including Pivotal acquisition) five year capital investment with continued focus on customer affordability
- Continuing our focus on **improving O&M Efficiency** through technology, supply chain, and cost management
- **Growing our dividend** at high end of targeted long-term 7 – 10%* EPS CAGR**
- Affirming our on-going position that **no new equity** is required under normal operating conditions

June 2018



AMERICAN WATER | NYSE: AWK

www.amwater.com

5

American Water Description and Investment Thesis

The Industry we Operate in: Fragmented and in Critical Need for Investment



Approximately **53,000** water systems, **17,000** wastewater systems

- Water: **16%** investor owned
- Wastewater: **2%** investor owned



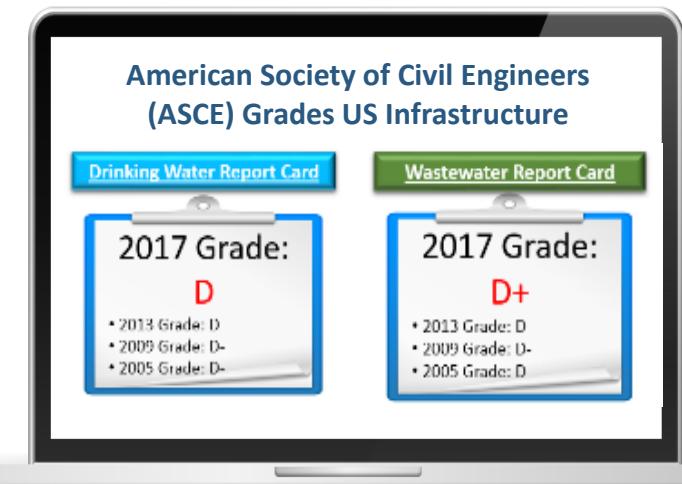
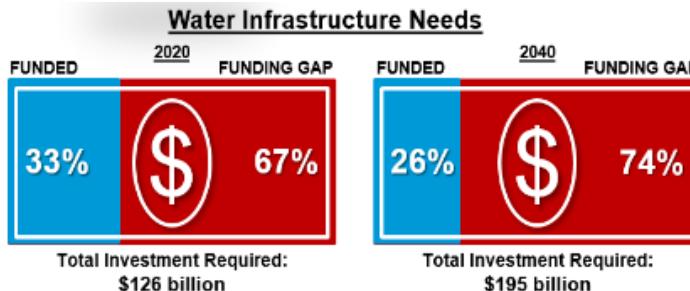
By 2020, **44%** of U.S. pipe infrastructure to be classified as poor, **very poor**, or life elapsed...



In USA, over **20%**—or **2 trillion gallons**—of treated water is lost each year...



900 billion gallons of untreated sewage is discharged every year into U.S. rivers, streams and other waterways...



Aging infrastructure still has wooden pipes!*



* Not American Water Pipes

June 2018



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

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



June 2018



AMERICAN WATER

NYSE: AWK

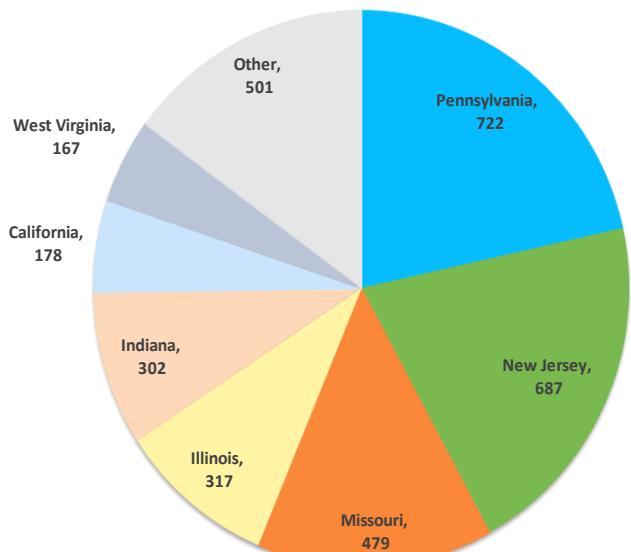
www.amwater.com

8

We are the Largest and Most Geographically Diverse Water Utility in the United States

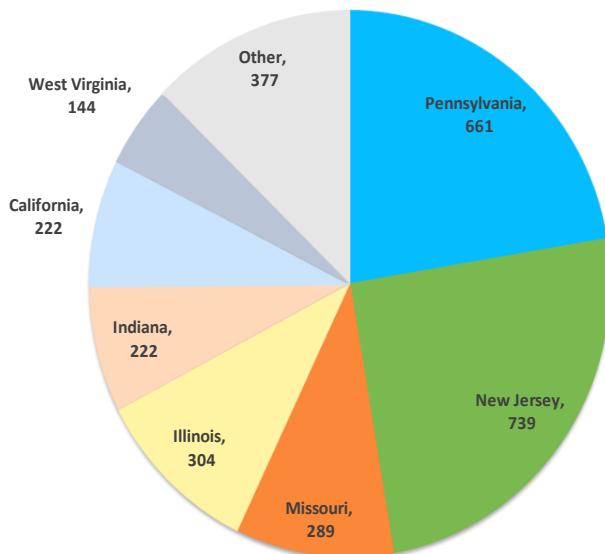
Total Customer Connections

*As of December 31, 2017
(in Thousands)*



2017 Regulated Revenues

(in Millions)



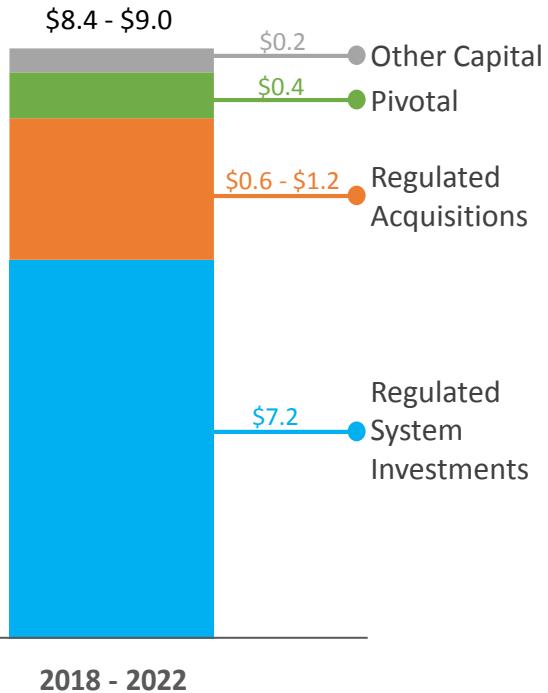
Our Regulated Footprint

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

June 2018

Our Regulated Infrastructure Investment Five-Year Plan

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



Continued Smooth Deployment of Capital

- Our \$7.2B capital program consists of many small projects:
 - Large projects: > \$15mm/project, ~40 projects per year
 - Smaller projects: up to \$15mm/project, ~3,500 projects per year
- AWK's average pipe replacement rate is once every 135 years. US industry average is every 200 years

Continued Strong Focus on O&M Efficiency

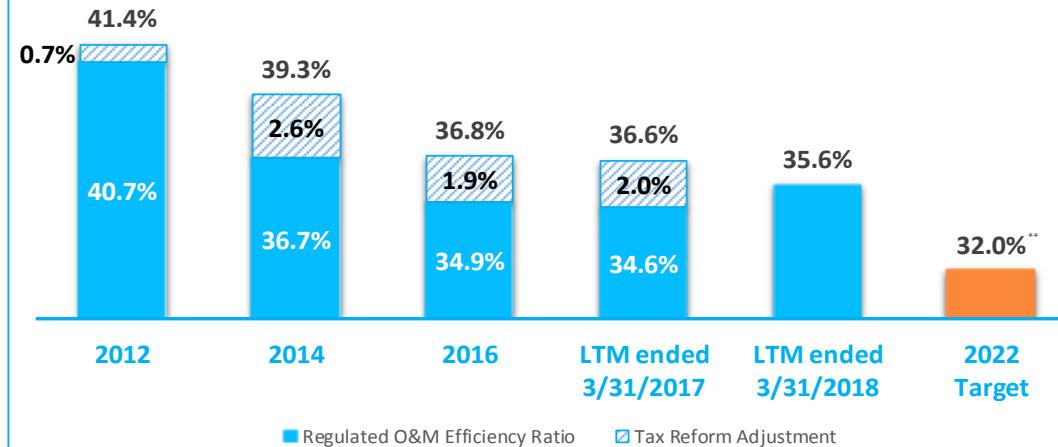
O&M Efficiency

- Technology
- Supply Chain
- Cost Management

Capital Efficiency

- Technology
- Value Engineering
- National Purchasing Power

Regulated O&M Efficiency Ratio*



AMERICAN WATER

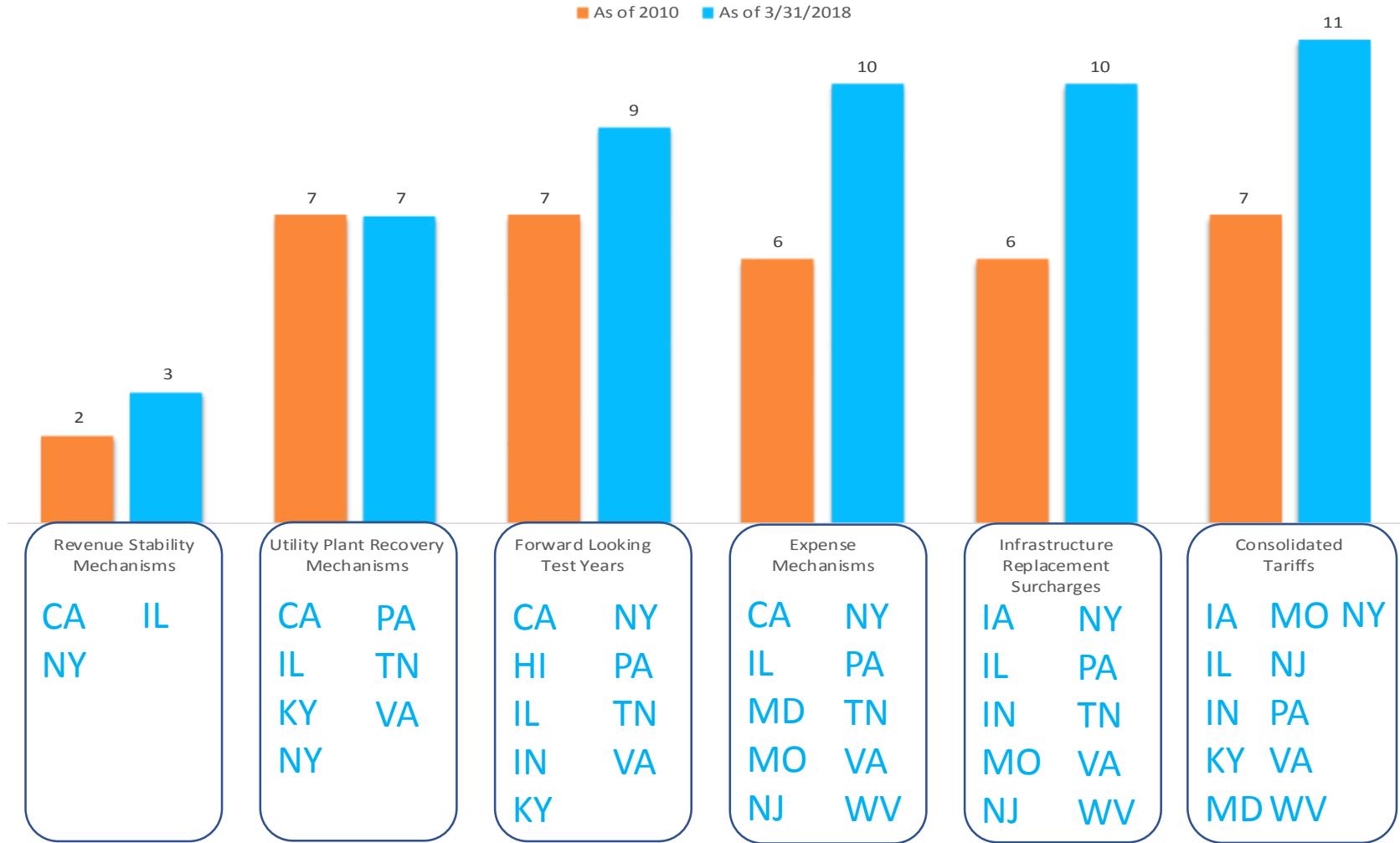
NYSE: AWK

www.amwater.com 11

June 2018

Timely Recovery of Revenues, Expense, and Investment Mechanisms Supports Customers' Best Interests

15 New Regulatory Mechanisms Across Our Footprint Since 2010



June 2018



AMERICAN WATER | NYSE: AWK

www.amwater.com

12

Highly Fragmented Water Industry Creates Opportunity

Industry Opportunity



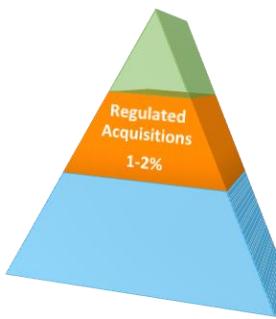
Water
Investor Owned
16%

Public & Other
84%



Wastewater
Investor Owned
2%

Public & Other
98%



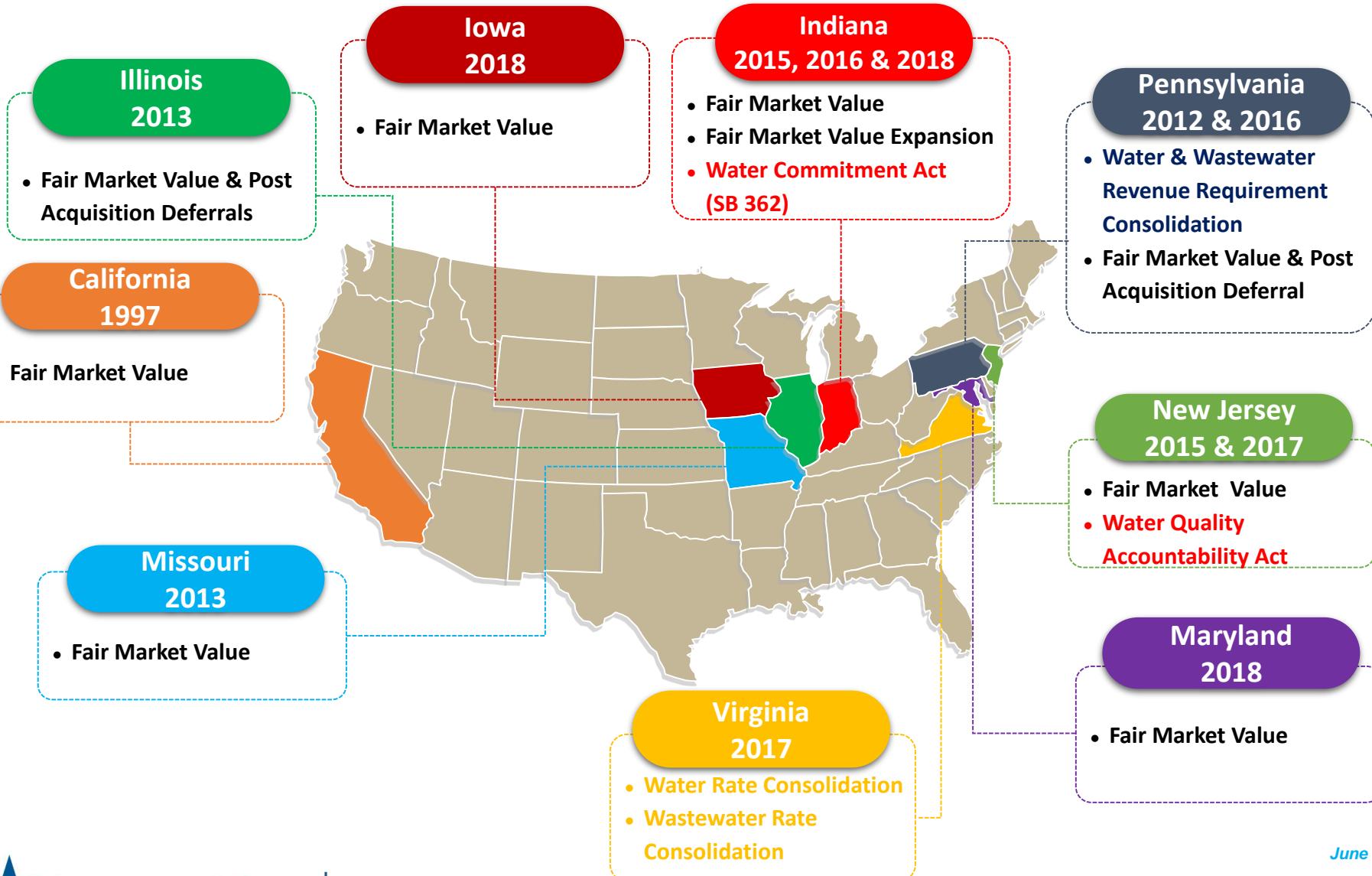
American Water Footprint

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



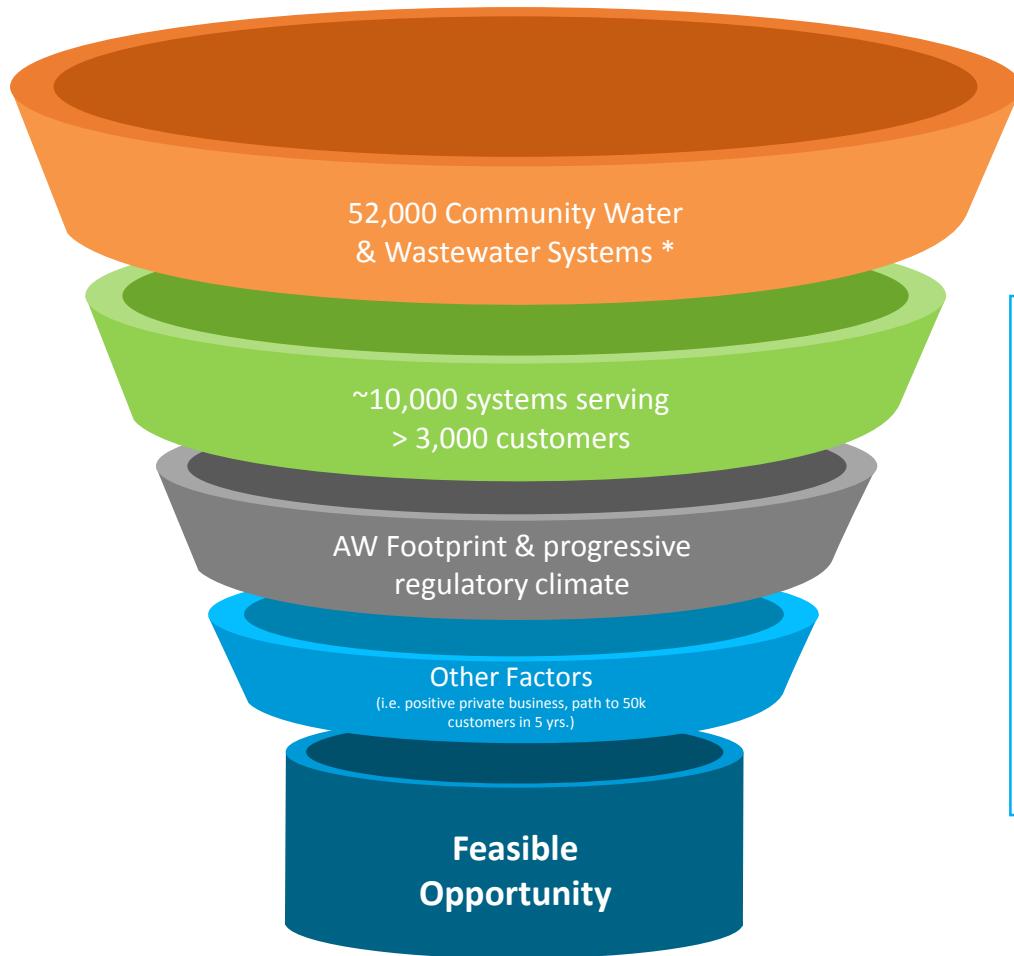
June 2018

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



June 2018

We Follow a Disciplined Approach to Business Development



American Water Acquisitions** (Customer Connections)

- ✓ **Closed 2015 – 24,056**
- ✓ **Closed 2016 – 42,195**
- ✓ **Closed 2017 – 39,664*****
- ✓ **Closed 2018 (YTD June 1) – 5,524**
- ✓ **Pending – ~54,000**

* EPA's 2015 national assessment and report to Congress

** Excludes organic growth customer connections

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

June 2018



AMERICAN WATER | NYSE: AWK

www.amwater.com 15

Market-Based Businesses Continue to Provide Strategic Value

Three Primary Businesses



Military Services Group



Homeowners Services Group



Keystone



Market-Based Risk Characteristics

- ✓ Cash Flow Positive Businesses Help to Support Growth
- ✓ Leverage Size and Scale
- ✓ Managed Portfolio Risk
- ✓ Complementary water and wastewater services
- ✓ Leverage core competencies
- ✓ Capital light, cash positive
- ✓ Competitive culture

June 2018

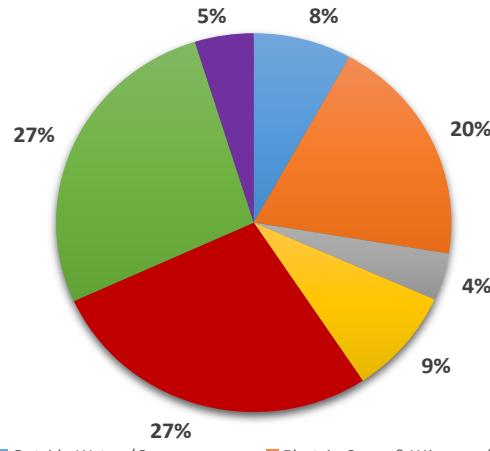
Homeowner Services (HOS) + Pivotal : Highly Complementary

	Pivotal	HOS	Combined
2017 Revenue (in millions)	\$130	\$147	\$277
Contracts (in millions)	1.2	1.8	3.0
% On Bill	93%	74%	82%
States Served	18	44*	44*
# of Employees	323	176	499

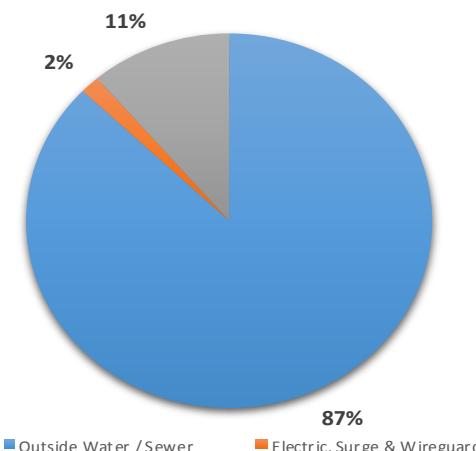
* Includes District of Columbia

Contract Types

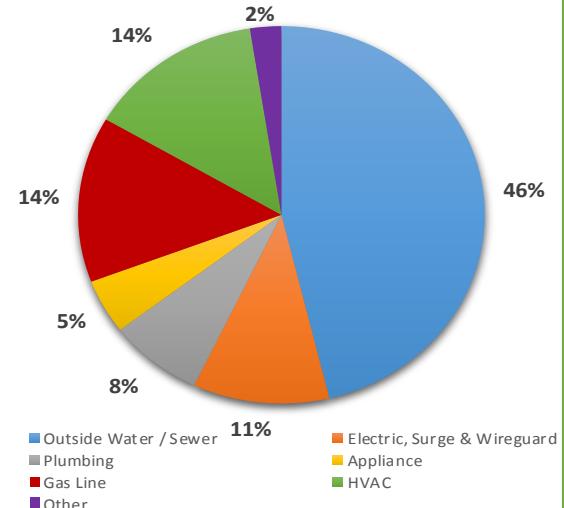
Pivotal



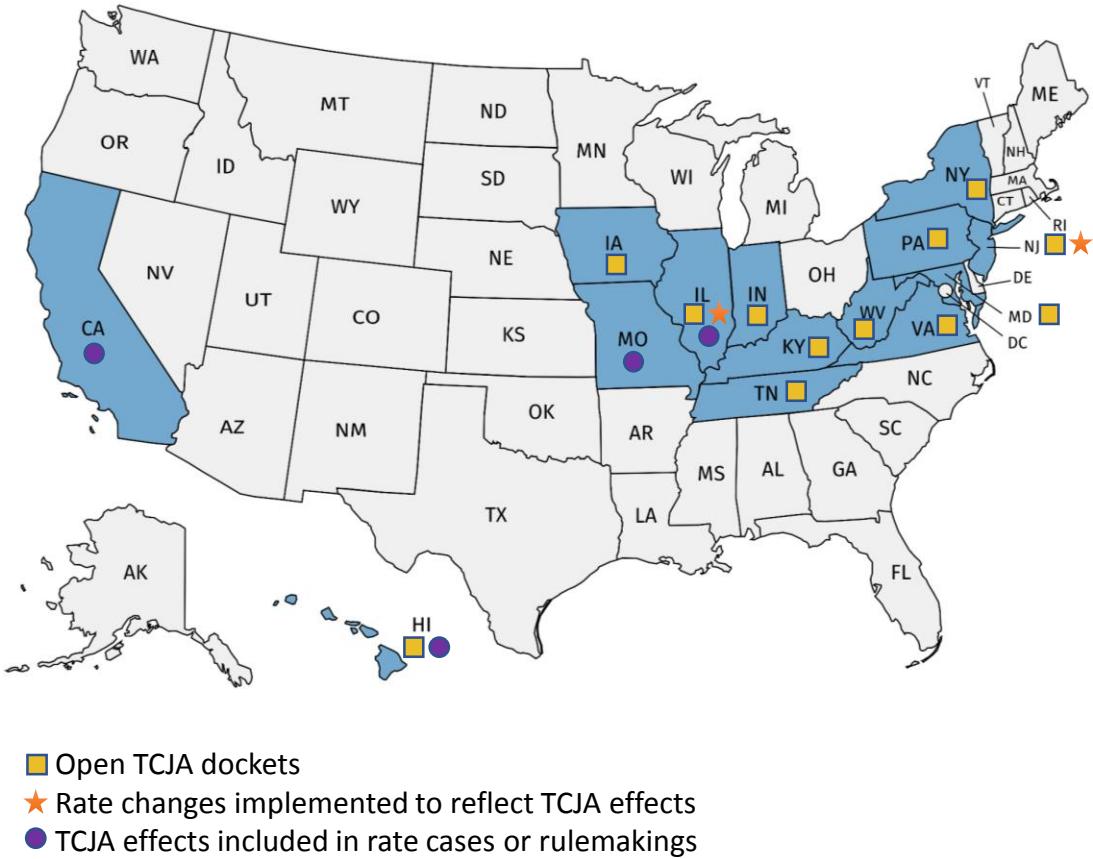
HOS



Combined



Tax Reform Impact In Line With Expectations



Overall Earnings Neutral for 2018

- Lower tax rate benefits regulated customers
- MBB benefit largely offsets loss of tax shield on interest at Parent

Cash Flow

- Clarification to 2017 bonus depreciation expected to increase cash flow in range of \$30-\$65M
- Pushes timing of paying cash taxes to beginning of 2020

Regulatory Update (as of May 2)

- 14 states have **opened dockets** or **included** TCJA effects in **rate cases**:
- 2 states have implemented rate changes
- 4 of remaining 12 have included in rate cases
- Seeking **deferral of re-measured deferred tax balances** in each state (until 2019 or next rate case)

Delivering Value Through Disciplined Financial Management

Disciplined Approach to Acquisitions

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

Strong Balance Sheet

Consistent Earnings Growth

Predominantly Regulated Business $\geq 85\%$ of EPS

Smooth Capital Deployment

Total Shareholder Return (Price + Dividend)

	One Year	Three Year	Five Year
American Water	10.4%	67.8%	137.1%
UTY Index	4.1%	29.5%	48.6%
S&P 500	14.9%	34.4%	87.5%

Six Consecutive Years with ~10% Dividend Growth



* Future dividends are subject to approval of the American Water Board of Directors



AMERICAN WATER

NYSE: AWK

www.amwater.com

June 2018

19

A photograph of a kitchen scene. In the foreground, a person's hands are shown cutting two red tomatoes on a light-colored wooden cutting board. One hand holds a large kitchen knife, and the other holds a tomato. In the background, another person is visible from the side, standing at a kitchen sink and washing dishes. A stainless steel faucet is on the left. On the counter, there's a small white bowl with a yellow substance, possibly butter or cheese, and a bunch of green onions. The lighting is warm and natural.

WE KEEP LIFE FLOWING™

Investor Relations Contacts



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



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

Appendix

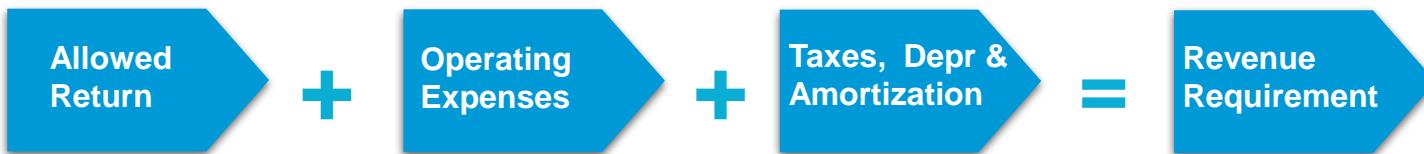
How American Water Grows Earnings: Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases

Step 1



Step 2



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

June 2018

Regulatory Activity

Rates Awaiting Final Order as of June 1, 2018

Rate Cases Filed		Date Filed	Revenue Increase	ROE Requested	Rate Base
Company	Docket / Case Number				
California	Case No. A.16-07-002	7/1/2016	\$19	(a)	NA
New Jersey	Case No. WR-17090985	9/15/2017	117	(b)	10.80%
West Virginia	Case No. 18-0573-W-42T and 18-0576-S-42T	4/30/2018	29	(c)	10.80%
Total Awaiting Final Order:			\$165		\$4,172

- (a) For this final application, Test Year 2018 revenue requirement request is \$35 million above July 1, 2016 revenues. This excludes the step rate and attrition rate increase estimates for 2019 and 2020 of \$9 million and \$8 million, respectively. The total estimated revenue requirement increase request for the three year rate case cycle is \$51 million. On October 10, 2016, the Company filed an update to our final general rate case application adjusting the 2018 request to \$32 million of additional annualized revenues above July 1, 2016 revenues. It also includes estimated increases in the escalation year 2019 and the attrition year 2020 of \$9 million and \$8 million, respectively. On February 23, 2018, the Company filed a revised results of operations model in the general rate case application adjusting the 2018 request to \$24 million above July 1, 2016 revenues to reflect the lower 2018 federal income tax rate. On April 6, 2018, the Company filed an update to reflect the Cost of Capital in its current case, the 2018 request was adjusted to \$19 million.
- (b) New Jersey American filed supplemental testimony on February 8, 2018, as a result of the TCJA which reduced the request to \$117 million. Effective April 1, 2018, New Jersey American complied with an order entered in the NJ BPU's TCJA investigation proceeding requiring all utilities to tariff interim rates reflecting the new federal corporate tax rate of 21%.
- (c) The requested increase is \$33 million, which includes \$4 million from DSIC cases.

Rates Effective since January 1, 2018

	Date Effective	Annualized Revenue Increases Effective Since January 1, 2018
Infrastructure Charges		
West Virginia (DSIC)	1/1/2018	\$3
Illinois (QIP)	1/1/2018	3
Virginia (WWISC)	3/1/2018	1
Indiana (DSIC)	3/14/2018	7
Tennessee (QIIP, EDI, SEC)	4/10/2018	1
		\$15
Rate Cases		
Pennsylvania	1/1/2018	\$62
Missouri	5/28/2018	33
		\$95
Total		\$110

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

(e) The revenue increase from the MO GRC of \$33 million does not include \$5 million ISRS revenues that were effective in 2017.

June 2018

Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries

	CALIFORNIA AMERICAN WATER	ILLINOIS AMERICAN WATER	INDIANA AMERICAN WATER	KENTUCKY AMERICAN WATER	MISSOURI AMERICAN WATER			
Authorized Rate Base*	\$439,448	\$883,386	\$841,915	(b)	\$405,704	(b)	\$1,249,293	(b)
Authorized ROE	9.20%	(a)	9.79%	9.75%	9.70%	(e)	10.00%	(e)
Authorized Equity	55.39%	(a)	49.80%	41.55%	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*	\$2,386,790	\$275,463	\$3,162,597	(b)	\$155,747		\$529,212	
Authorized ROE	9.75%	9.10%	10.00%	(e)	9.25%		9.75%	
Authorized Equity	52.00%	46.00%	53.75%	(d)	46.09%		45.84%	
Effective Date of Rate Case	9/21/2015	6/1/2017	1/1/2018		5/24/2017	(f)	2/25/2016	

*Rate Base stated in \$000s

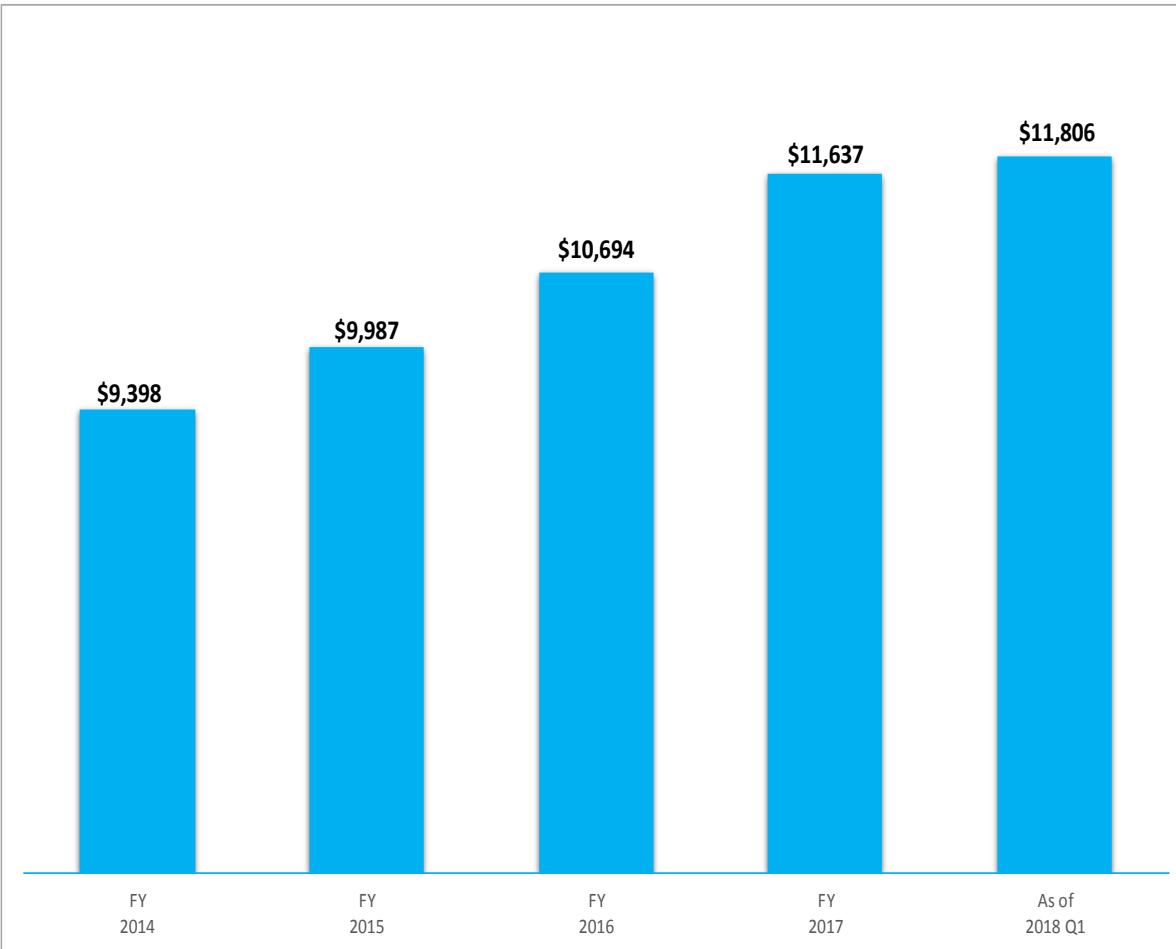
Notes:

- a) 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.

June 2018

Rate Base Calculation*

(\$ in millions)



Estimated Rate Base*	
	As of 2018 Q1
Net Utility Plant	\$16,206
Less	
Advances for Construction	265
CIAC – Contributions in Aid of Construction	1,287
Net Deferred income taxes**	2,826
Deferred investment tax credits	22
	\$4,400
Total Estimated Rate Base	\$11,806

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

** Includes the regulatory liability established to normalize the impact of tax rate changes under the Tax Cuts and Jobs Act

June 2018

How O&M Efficiency Translates to Investment Growth

Saving \$1 in opex vs investing \$8 in capital at allowed ROE,
keeps customer rates neutral and can create \$0.39 in sustainable earnings

	\$1 Expense Savings	~\$8 Invested Capital
a) Revenue Requirement	\$ 1.00	\$ 1.00
Expenses		
O&M	0.96	\$ -
Depreciation	-	\$ 0.20 ²
Interest Expense	-	\$ 0.19 ³
Property & General Taxes	0.04 ¹	\$ 0.08 ⁴
b) Total Expenses	<u>1.00</u>	<u>\$ 0.47</u>
c) Operating Income (=a-b)	-	\$ 0.53
d) Federal & State Income Taxes	-	\$ 0.14 ⁵
e) Net Income to Shareholder (=c-d)	<u>\$ -</u>	<u>\$ 0.39</u> ⁶

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

² Assumes 2.5% depreciation expense

³ Assumes 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 26.1%, based on federal tax rate of 21%

⁶ Assumes authorized weighted average ROE of 9.8%

Closed and Pending Acquisitions as of June 1, 2018

2018 Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
Illinois	5	2,428	2,308	4,736
Kentucky	1	610	-	610
Missouri	2	50	128	178
Total	8	3,088	2,436	5,524

Pending Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	4	8,629	-	8,629
Illinois	1	-	23,000	23,000
Indiana	4	7,415	1,250	8,665
Missouri	1	970	904	1,874
Pennsylvania	3	-	12,076	12,076
Tennessee	1	110	-	110
Total	14	17,124	37,230	54,354

Reconciliation Table: Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) (\$ in millions)	FY 2012	FY 2014	FY 2016	FY 2017	LTM ended 3/31/2017	LTM ended 3/31/2018
Total operations and maintenance expense	\$1,330	\$1,350	\$1,504	\$1,378	\$1,493	\$1,388
<i>Less:</i>						
Operations and maintenance expense – Market Based Operations	256	289	372	337	361	329
Operations and maintenance expense – Other	(56)	(51)	(44)	(50)	(44)	(48)
Total operations and maintenance expense – Regulated Businesses	\$1,130	\$1,112	\$1,176	\$1,091	\$1,176	\$1,107
<i>Less:</i>						
Regulated purchased water expense	110	122	122	128	122	131
Allocation of non-operation and maintenance expenses	35	39	30	29	28	30
Freedom Industries chemical spill in West Virginia	-	10	-	-	-	-
Impact of Freedom Industries settlement activities	-	-	65	(22)	65	(22)
Impact of adoption of ASU 2017-07	-	-	-	-	-	6
Estimated impact of weather	5	(2)	-	-	-	-
Adjusted operations and maintenance expense – Regulated Businesses (a)	\$980	\$943	\$959	\$956	\$961	\$962
Total operating revenues	\$2,854	\$3,011	\$3,302	\$3,357	\$3,315	\$3,362
<i>Less pro forma adjustment:</i>						
Pro forma adjustment for impact of the TCJA	-	-	-	-	-	129
Total pro forma operating revenues	\$2,854	\$3,011	\$3,302	\$3,357	\$3,315	\$3,233
<i>Less:</i>						
Operating Revenues – Market Based Operations	307	355	451	422	440	419
Operating Revenues – Other	(17)	(18)	(20)	(23)	(21)	(22)
Total pro forma operating revenues – Regulated Businesses	\$2,564	\$2,674	\$2,871	\$2,958	\$2,896	\$2,836
<i>Less:</i>						
Regulated Purchased Water expense*	110	122	122	128	122	131
<i>Plus:</i>						
Freedom Industries chemical spill in West Virginia	-	1	-	-	-	-
Estimated impact of weather	(47)	17	-	-	-	-
Adjusted pro forma operating revenues—Regulated Businesses (b)	\$2,407	\$2,570	\$2,749	\$2,830	\$2,774	\$2,705
Adjusted O&M efficiency ratio—Regulated Businesses (a)/(b)	40.7%	36.7%	34.9%	33.8%	34.6%	35.6%
Adjusted operations and maintenance expense – Regulated Businesses	\$980	\$943	\$959	\$956	\$961	
<i>Less:</i>						
Impact of adoption of ASU 2017-07	29	(14)	5	9	5	
Adjusted operations and maintenance expense – Regulated Businesses (c)	\$951	\$957	\$954	\$947	\$956	
Adjusted operating revenues—Regulated Businesses	\$2,407	\$2,570	\$2,749	\$2,830	\$2,774	
<i>Less pro forma adjustment:</i>						
Pro forma adjustment for impact of the TCJA**	112	137	155	168	163	
Adjusted pro forma operating revenues—Regulated Businesses (d)	\$2,294	\$2,433	\$2,594	\$2,662	\$2,611	
Adjusted O&M efficiency ratio—Regulated Businesses (c)/(d)	41.4%	39.3%	36.8%	35.6%	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

June 2018



AMERICAN WATER

NYSE: AWK

www.amwater.com

29