



AMERICAN WATER

NYSE: AWK

2011 Year-end Conference Call

February 27, 2012



Edward D. Vallejo

Vice President Investor Relations

February 2012

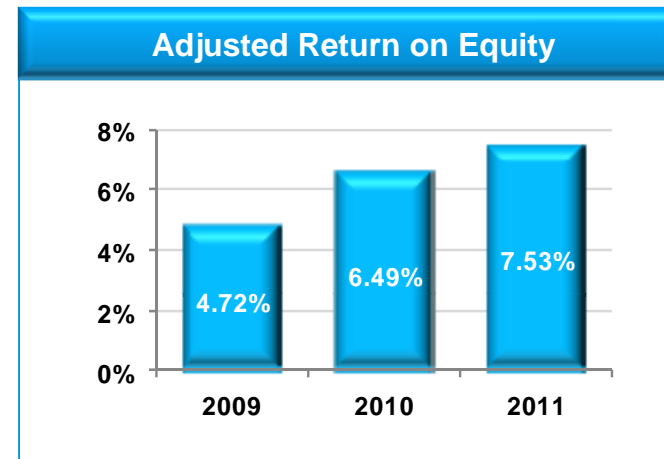
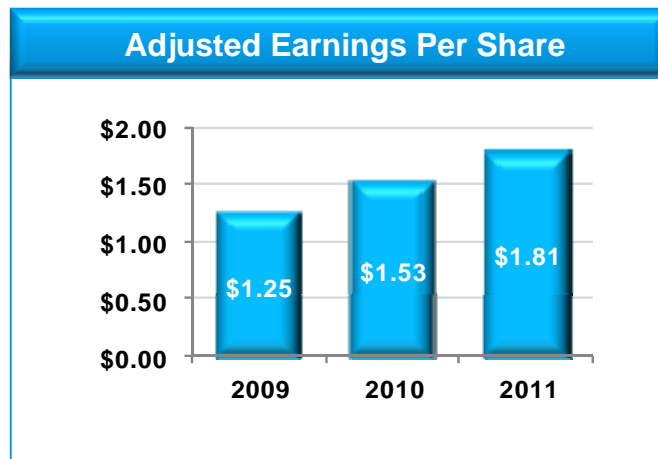
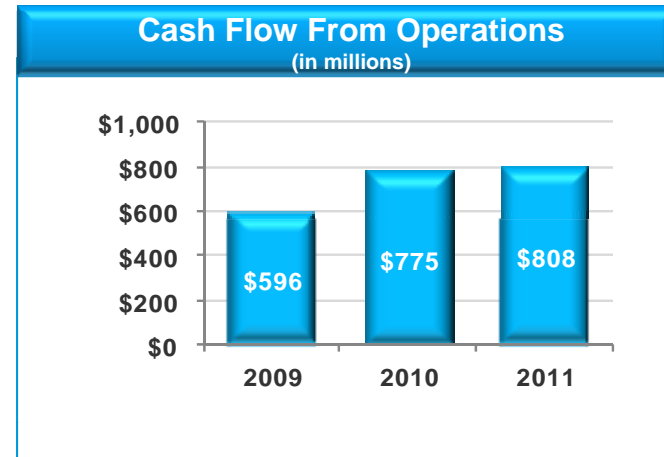
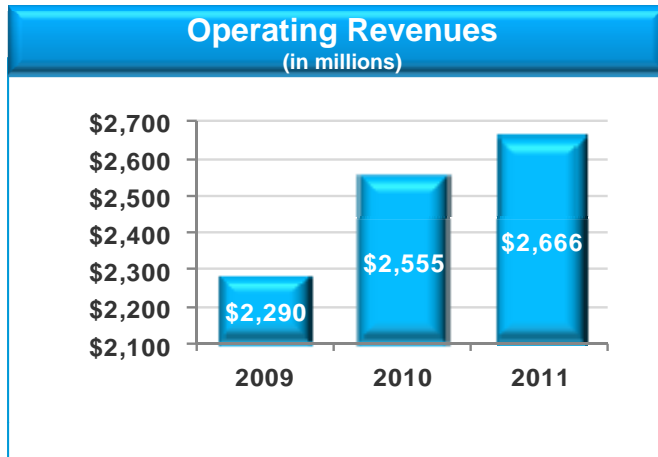
Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events and may relate to, among other things, our future financial performance, including earnings, O&M efficiency ratio and return on equity performance, our growth and portfolio optimization strategies, our projected capital expenditures including infrastructure investment, and related funding requirements, our ability to repay debt, our ability to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory or legal developments or rate adjustments, including rate case filings and filings for infrastructure surcharges and to address usage trends and regulatory lag. Actual results could differ materially because of factors such as decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies; weather conditions, patterns or events, including drought or abnormally high rainfall; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; our ability to effect significant changes to our business processes and corresponding technology; our ability to appropriately maintain current infrastructure and manage the expansion of our business; 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; 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 acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business or dispose of assets or systems that we determine should no longer be part of our portfolio; cost overruns relating to improvements or the expansion of our operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs 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; our ability to utilize our U.S. and state net operating loss carryforwards; migration of customers into or out of our service territories; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; the incurrence of impairment charges; ability to retain and attract qualified employees; labor actions, including work stoppages; and civil disturbance, or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

Any forward-looking statements we make, speak only as of the date of this presentation. Except as required by law, we specifically disclaim any undertaking or intention to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

Jeff Sterba
President and Chief Executive Officer

American Water: Solid Annual Results



*The 2011 Adjusted EPS and Adjusted ROE, non-GAAP measures, do not recognize an approximate \$0.09 related to cessation of depreciation and approximately \$0.14 related to a charge for the write down of Parent company goodwill associated with businesses classified as discontinued operations

** 2009 Adjusted EPS and ROE exclude impairment charges

February 2012

AWK 2011 Accomplishments

What We Accomplished in 2011

- ✓ **Enhanced Shareholder Value**
 - *2011 Adjusted ROE is 7.53 percent vs. 6.49 percent in 2010*
 - *Cash Dividends Increased 5%*
- ✓ **Execution of Portfolio Optimization Initiative**
 - *Closed MO acquisition, TX sale and sale of Applied Water Management (AWM)*
 - *Filed for regulatory approvals for transactions in NM, AZ, NY and Ohio*
 - *NM and AZ completed in January 2012*
- ✓ **Resolved/Requested Rate Cases totaling \$355.3 MM of filed Annualized Revenues**
 - *Rate cases effective in 7 states generating approximately \$127.3 MM in annualized revenue increases and \$10.7 MM in infrastructure surcharges, assuming normal usage patterns, excluding AZ and NM .*
 - *Filed 10 rate proceedings in 2011 requesting \$280.8 MM in annualized revenue*
- ✓ **Initiated state specific efforts to address declining usage in all rate cases filed in 2011**
- ✓ **Improved Regulated O&M Efficiency Ratio in 2011 to 43.8%**
- ✓ **Invested \$924.9 million in 2011 vs. \$765.6 MM in 2010**

Ellen C. Wolf
Senior Vice President
and Chief Financial Officer

2011 Financial Results

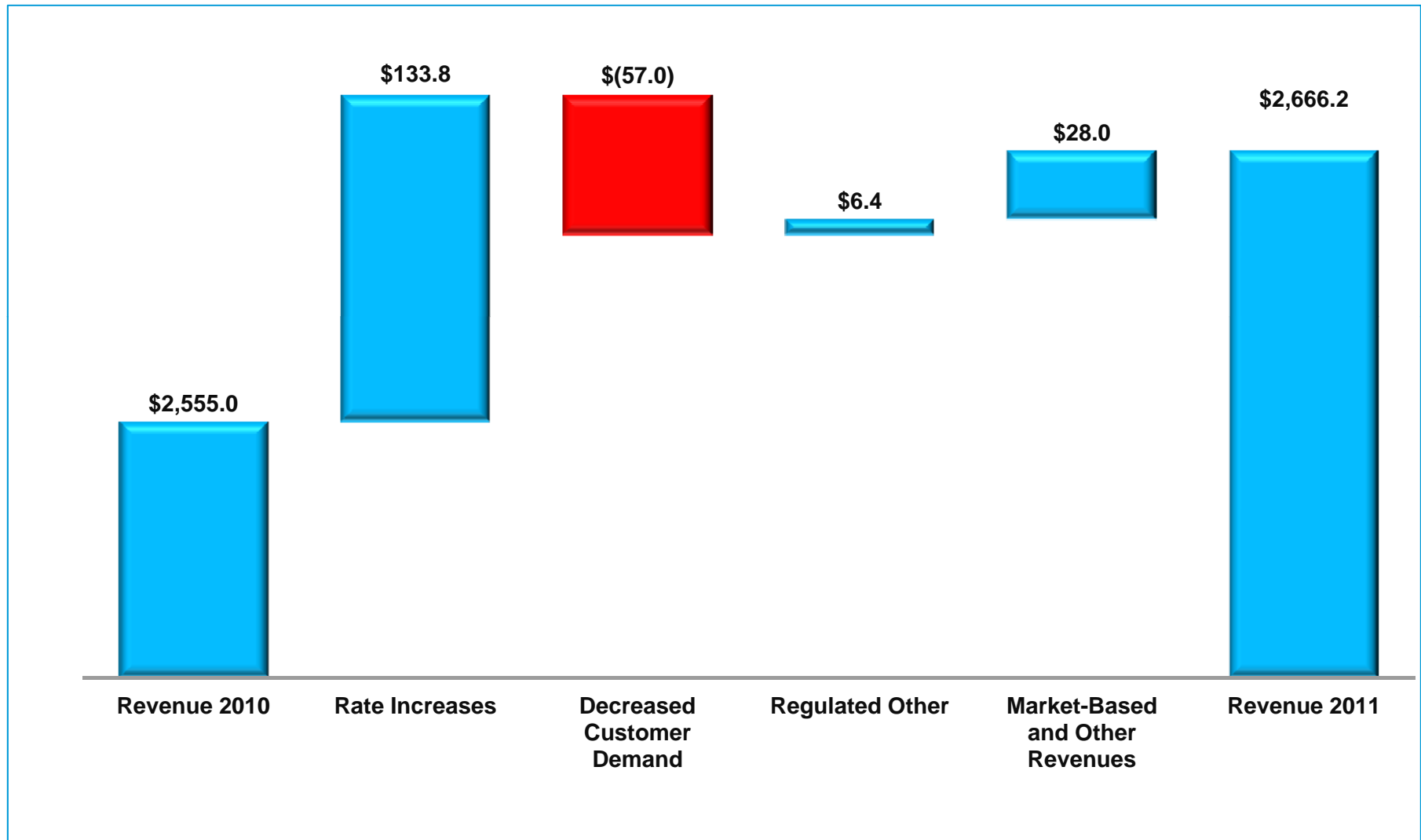
<i>(In thousands, except per share data)</i>	For the Twelve Months Ended December 31,	
	2011	2010
Revenue	\$2,666,236	\$2,555,035
Operating Income	\$803,136	\$728,122
Operating Income Margin %	30.1%	28.5%
Regulated O&M efficiency ratio ⁽¹⁾	43.8%	45.5%
Net Income	\$309,613	\$267,827
Adjusted Net Income ⁽²⁾	\$319,588	\$267,827
Common dividends paid	\$157,855	\$150,301
Average common shares outstanding during the period: Diluted	176,531	175,124
Diluted Earnings per common share	\$1.75	\$1.53
Diluted Adjusted Earnings per common share ⁽²⁾	\$1.81	\$1.53
Cash flows from operating activities	\$808,357	\$774,933

(1) Excludes purchased water. Non-GAAP measure - for calculation see table in Appendix.

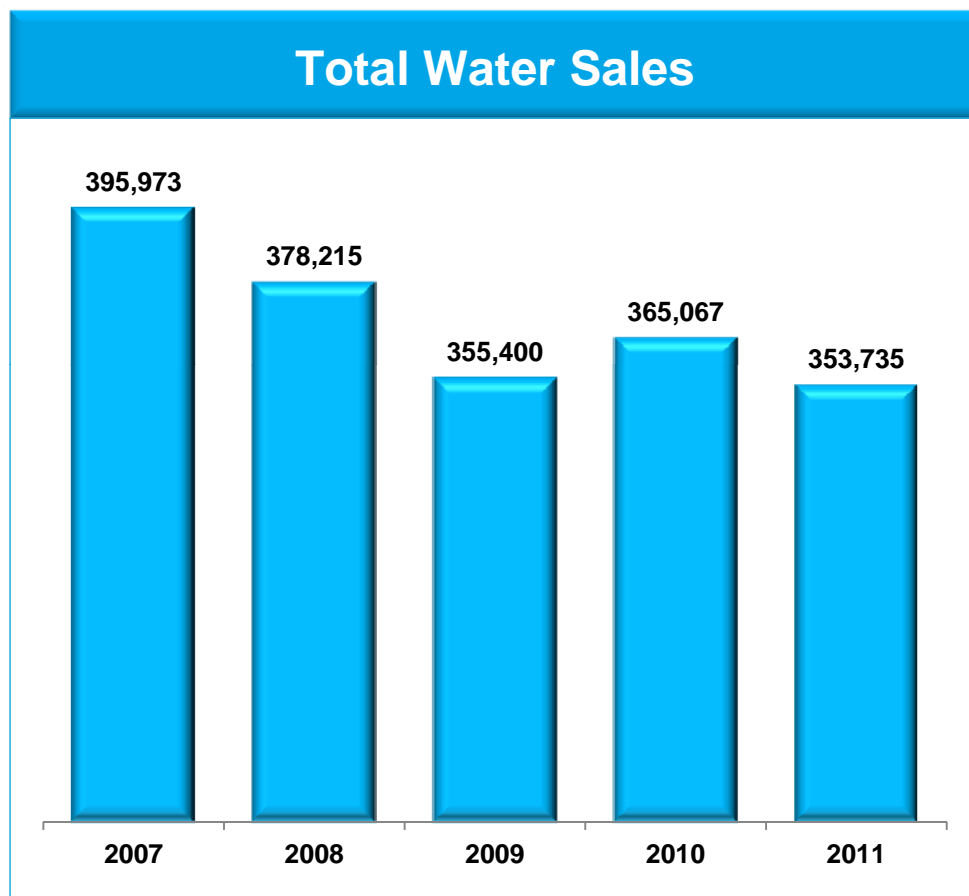
(2) Adjusted for cessation of depreciation and charges related to the write-down of Parent company goodwill associated with businesses classified as discontinued operations associated with businesses classified as discontinued operations – Non-GAAP measure (see reconciliation table in Appendix).

2011 Revenue Breakdown

(\$ in millions)



Comparison of Water Sales Volumes (gallons in millions)



Residential

2007	2008	2009	2010	2011	Average% Change
203,351	194,456	184,680	187,062	180,916	-2.85%

Commercial

2007	2008	2009	2010	2011	Average% Change
88,970	86,342	81,823	84,086	81,455	-2.14%

Industrial

2007	2008	2009	2010	2011	Average% Change
43,940	41,428	35,543	39,860	39,295	-2.30%

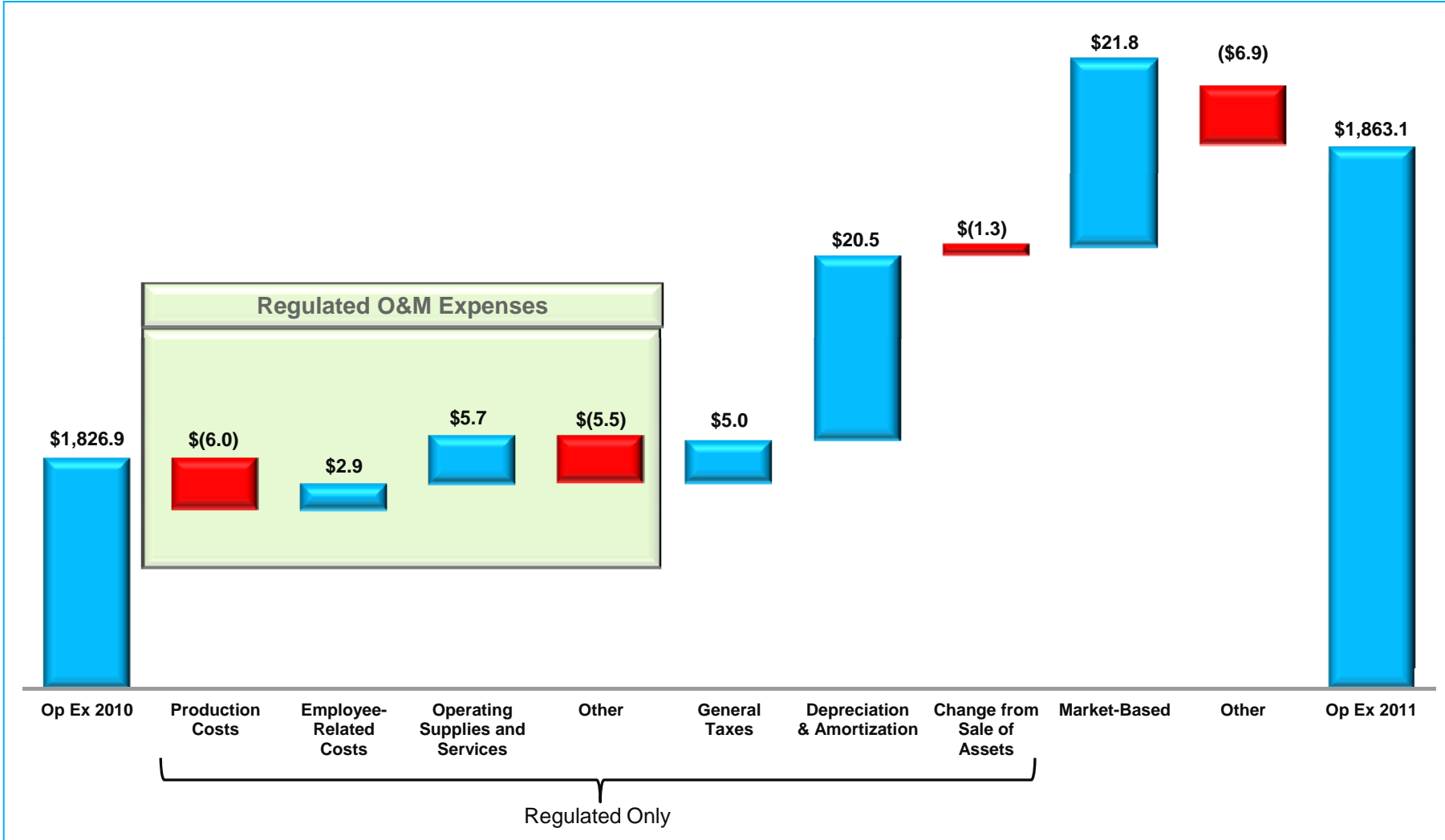
Public & Other

2007	2008	2009	2010	2011	Average% Change
59,712	55,989	53,354	54,059	52,069	-3.33%

All of the states served by our regulated businesses have experienced a declining trend in water usage

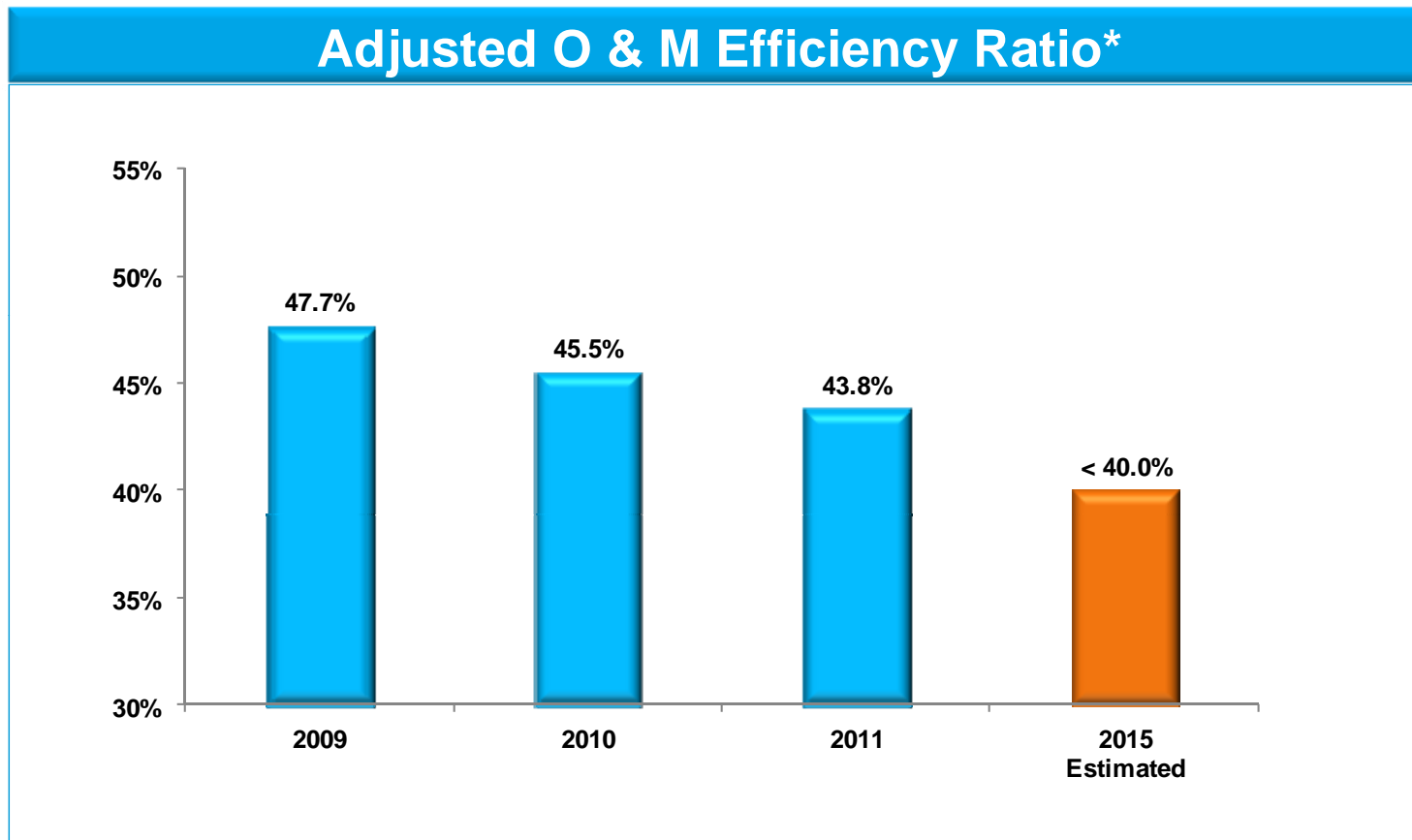
2011 Expense Breakdown

(\$ in millions)



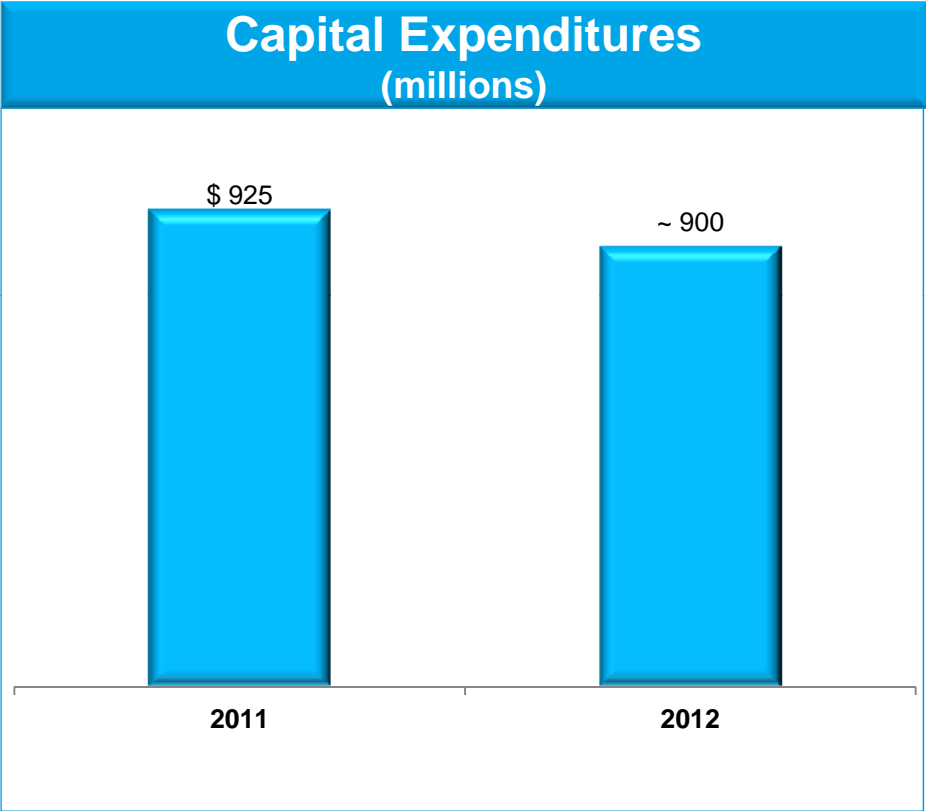
Note: Expenses depicted for production costs, employee-related costs, operating supplies and services, maintenance materials and services,

Regulated O&M Efficiency Ratio Continues to Improve

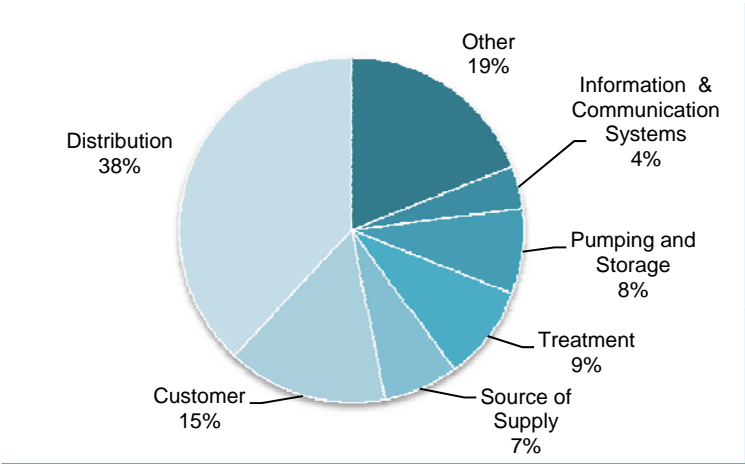


*O&M Efficiency Ratio = operating and maintenance expenses / revenues, adjusted to eliminate purchased water

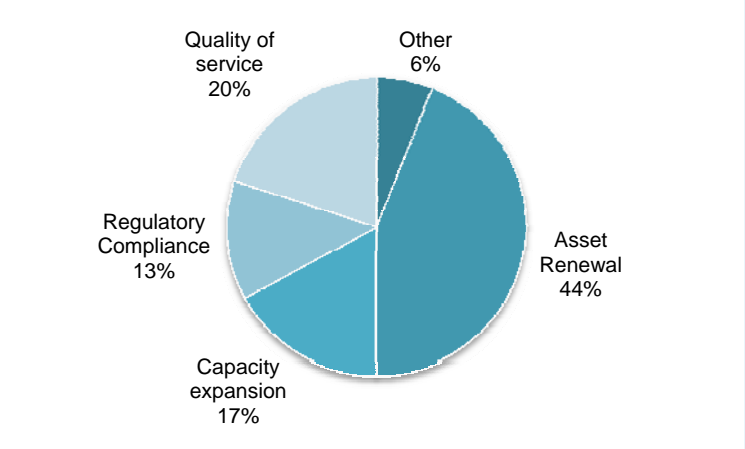
Continuing to Invest in Infrastructure



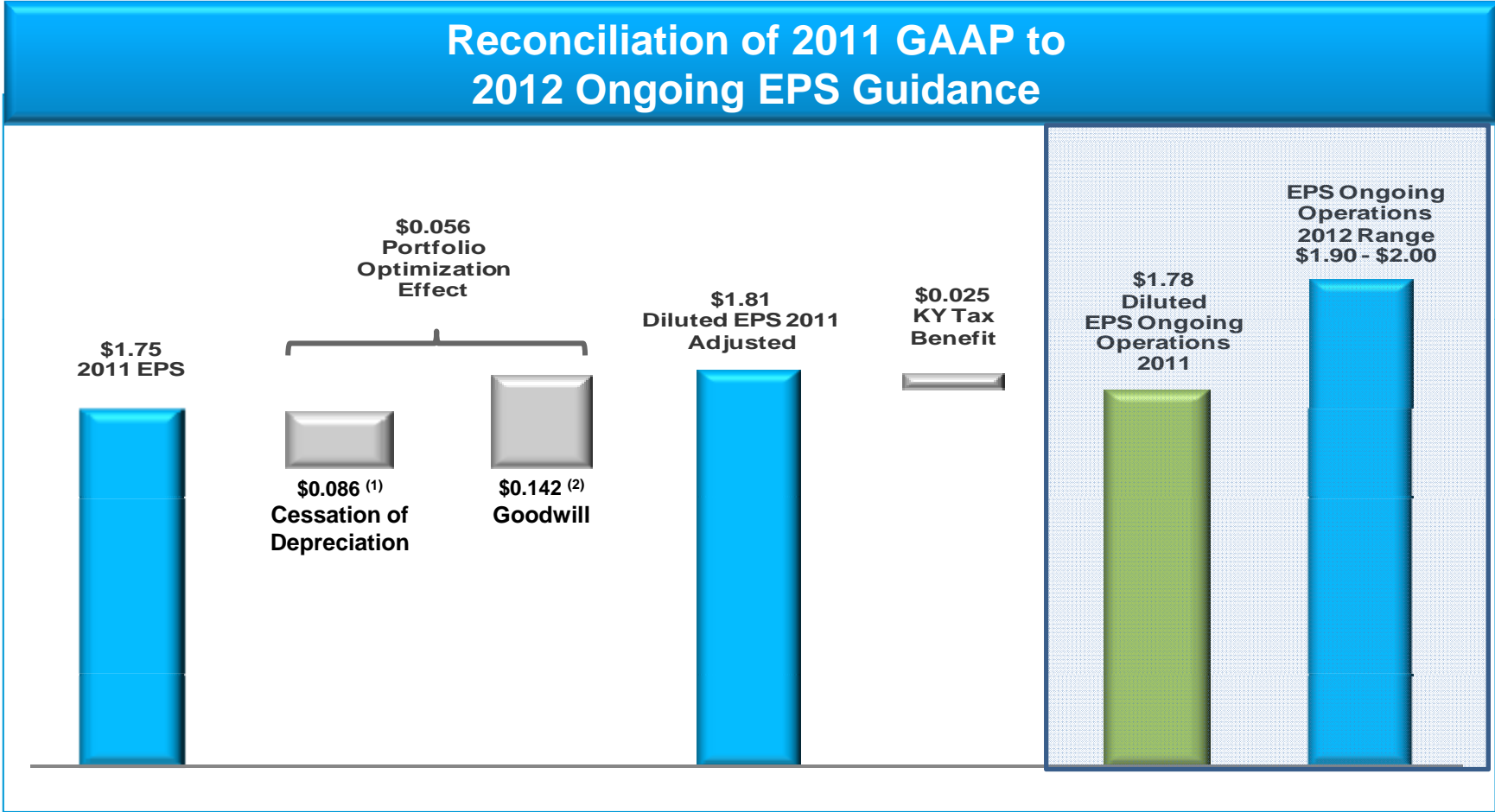
AWK's % Projected Capital Expenditure by Asset Type



AWK's % Projected Capital Expenditure by Purpose



2011- 2012 Earnings Per Share



1) \$0.09 related to cessation of depreciation
 2) \$0.14 related to a charge for the write-down of Parent company goodwill associated with businesses classified as discontinued operations

AWK 2012 Expectations

In 2012 You Can Expect Us To

- Continue Portfolio Optimization Initiative**
 - *Finalize transactions in NY and Ohio – AZ and NM completed in January 2012*
 - *Identify additional valued-added opportunities*
- Actively Address Regulatory Lag that Impacts Returns on Investments**
 - *Expect to file 4 general rate cases in 2012*
 - *Infrastructure Surcharges filings in 4-6 states*
 - *Address usage trends via rate case or other filings*
- Continue O&M efficiency Improvement**
 - *Five-year goal below 40% by 2015*
- Efficient use of our Capital**
 - *Invest approximately \$900 million to upgrade infrastructure*
 - *Enhance DSIC like mechanisms*
 - *Optimize Supply Chain*
- Increase Earned Regulated Return**
- Expand Market Based businesses - focusing on Homeowner Services & Military Contract Operations**
- Optimize Municipal Contract Operations Business Model**



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Appendix



Rate Cases Awaiting Final Order

(as of February 27, 2012)

	Docket / Case Number	Date Filed	Annualized Revenue Increase Filed	ROE Requested	Rate Base (Filed)	Filing Status
California	Case No. A 10-07-007	07/01/10	\$37.3	10.20%	\$409.6	4
New York	Case No. 11-W-200	04/29/11	\$9.6	11.50%	126.9	5
Indiana	Case No. 44022	05/02/11	20.4	11.50%	733.4	3
Missouri	Case No. WR-2011-0037	06/30/11	42.9	11.50%	849.1	5
Ohio	Case No. 11-4161-WS-AIR	07/01/11	8.3	11.50%	92.3	2
New Jersey	Case No. WR11070460	07/29/11	95.5	11.50%	2,059.7	2
Illinois	Case No. 11-0767	10/27/11	37.8	11.40%	716.1	2
Virginia	Case No. PUE-2011-00127	02/06/12	5.7	11.30%	112.9	1
TOTAL			\$257.5		\$5,100.0	

Index of Filing Status

- 1 - Case Filed
- 2 - Discovery (Data Requests, Investigation)
- 3 - Negotiations / Evidentiary Hearings / Briefings
- 4 - Recommended order issued / settlement reached, without interim rates
- 5 - Settlement reached, awaiting final order

Excludes rate cases from closed transactions related to portfolio optimization.

Rate Cases and Infrastructure Charges Awarded

(as of February 27, 2012)

(\$ in millions) <u>Final Order</u>	<u>Effective Date for new rates</u>	<u>ROE Granted</u>	<u>Annualized Increase to Revenue</u>
General Rate Cases:			
New Jersey	1/1/2011	10.30%	39.9
Pennsylvania Wastewater	1/1/2011	10.60%	8.4
Virginia (a)	3/6/2011	10.20%	4.8
Tennessee	4/5/2011	10.00%	5.6
West Virginia	4/19/2011	9.75%	5.1
Hawaii	11/21/2011	10.20%	1.2
Pennsylvania (b)	11/11/2011	10.25%	62.1
Michigan	2/1/2012	10.50%	0.2
Iowa	2/23/2012	10.30%	2.8
Subtotal - General Rate Cases			\$130.1
Infrastructure Charges:			
Other (IL, IN, MO, Other)			16.5
Subtotal - Infrastructure Charges			\$16.5
TOTAL			\$146.6
(a) Includes non-jurisdictional components of approximately \$0.5 million.			
(b) \$26.1 million infrastructure charges rolled into base rates with effective date the recent order of 11/11/2011			

Excludes rate cases from closed transactions related to portfolio optimization.

Reconciliation Tables

Adjusted Net Income / Adjusted Earnings per Share			
<i>(A Non-GAAP Unaudited Number)</i>			
<i>(\$ in thousands, except per share data)</i>			
	2009	2010	2011
Net income, (Loss)	(\$233,083)	\$267,827	\$309,613
Less: Cessation of depreciation, net of tax	-	-	(\$15,132)
Plus: Impairment charges, net of tax	\$443,024	-	-
Less: Parent company goodwill charge associated with discontinued operations, net of tax	-	-	\$25,107
Adjusted net income	\$209,941	\$267,827	\$319,588
Diluted earnings per common share excluding impairment charge:	(\$1.39)	\$1.53	\$1.75
Less: EPS Impact of cessation of depreciation	-	-	(\$0.09)
Plus: EPS Impact of Impairment charges	\$2.64	-	-
Plus: EPS Impact of parent company goodwill charge associated with discontinued operations	-	-	\$0.14
Adjusted earnings per share	\$1.25	\$1.53	\$1.81

Note: Amounts do not sum up due to rounding

Adjusted Return on Equity			
<i>(A Non-GAAP Unaudited Number)</i>			
<i>(\$ in thousands)</i>			
	2009	2010	2011
Net income (Loss) from Continuing Operations	(\$233,083)	\$267,827	\$309,613
Less: Cessation of depreciation, net of tax	-	-	(\$15,132)
Plus: Impairment charges, net of tax	443,024	-	-
Plus: Parent company goodwill charge associated with discontinued operations, net of tax	-	-	25,107
Adjusted net income	\$209,941	\$267,827	\$319,588
Year end stockholders' equity	\$4,000,859	\$4,127,725	\$4,235,837
Less: Cessation of Depreciation	-	-	(\$15,132)
Add: Impairment charge, net of tax	\$443,024	-	-
Plus: Parent Company goodwill charge associated with discontinued operations, net of tax	-	-	25,107
Adjusted stockholders' equity excluding impairment charge, net of tax	\$4,443,883	\$4,127,725	\$4,245,812
Adjusted Return on Equity	4.72%	6.49%	7.53%

Reconciliation Tables

Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)			
<i>(\$ in thousands)</i>	2009	2010	2011
Total Regulated Operations and Maintenance Expense	\$1,036,565	\$1,095,446	\$1,092,611
Less: Regulated Purchased Water Expense	89,502	99,834	99,008
Adjusted Regulated Operations and Maintenance Expense (a)	\$947,063	\$995,612	\$993,603
Total Regulated Operating Revenues	\$2,076,561	\$2,285,656	\$2,368,891
Less: Regulated Purchased Water Expenses*	89,502	99,834	99,008
Adjusted Regulated Operating Revenues (b)	\$1,987,059	\$2,185,822	\$2,269,883
Regulated O&M Efficiency Ratio (a)/(b)	47.7%	45.5%	43.8%



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