AWK 10-Q 3/31/2014

Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to ___________

Commission file: number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**51-0063696** **(I.R.S. Employer Identification No.)**
1025 Laurel Oak Road, Voorhees, NJ **(Address of principal executive offices)**	**08043** **(Zip Code)**

(856) 346-8200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2014
Common Stock, $0.01 par value per share	**179,018,709 shares**

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In thousands, except per share data)

	March 31, 2014	December 31, 2013
ASSETS		
Property plant and equipment		
Utility plant—at original cost, net of accumulated depreciation of $3,956,852 at March 31 and $3,894,326 at December 31	$ 12,328,427	$ 12,244,359
Nonutility property, net of accumulated depreciation of $233,997 at March 31 and $228,465 at December 31	141,554	146,803
Total property, plant and equipment	12,469,981	12,391,162
Current assets		
Cash and cash equivalents	30,755	26,964
Restricted funds	28,585	28,505
Accounts receivable	259,306	244,568
Allowance for uncollectible accounts	(35,700)	(33,953)
Unbilled revenues	193,269	217,147
Income taxes receivable	10,100	5,778
Materials and supplies	35,242	32,973
Deferred income taxes	134,833	18,609
Other	31,604	28,408
Total current assets	687,994	568,999
Regulatory and other long-term assets		
Regulatory assets	847,788	858,465
Restricted funds	912	754
Goodwill	1,208,065	1,207,764
Other	60,081	60,998
Total regulatory and other long-term assets	2,116,846	2,127,981
TOTAL ASSETS	$ 15,274,821	$ 15,088,142

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In thousands, except per share data)

	March 31, 2014	December 31, 2013
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock ($0.01 par value, 500,000 shares authorized, 178,976 shares outstanding at March 31 and 178,379 at December 31)	$ 1,790	$ 1,784
Paid-in-capital	6,272,277	6,261,396
Accumulated deficit	(1,427,809)	(1,495,698)
Accumulated other comprehensive income	(35,151)	(34,635)
Treasury stock	(10,020)	(5,043)
Total common stockholders' equity	4,801,087	4,727,804
Long-term debt		
Long-term debt	5,208,668	5,212,881
Redeemable preferred stock at redemption value	15,971	17,177
Total capitalization	10,025,726	9,957,862
Current liabilities		
Short-term debt	638,227	630,307
Current portion of long-term debt	14,901	14,174
Accounts payable	183,839	264,589
Taxes accrued	54,129	32,400
Interest accrued	93,655	52,087
Other	212,948	241,976
Total current liabilities	1,197,699	1,235,533
Regulatory and other long-term liabilities		
Advances for construction	370,938	375,729
Deferred income taxes	1,997,673	1,840,697
Deferred investment tax credits	26,059	26,408
Regulatory liabilities	380,398	373,319
Accrued pension expense	103,342	108,542
Accrued postretirement benefit expense	88,385	88,419
Other	37,688	38,929
Total regulatory and other long-term liabilities	3,004,483	2,852,043
Contributions in aid of construction	1,046,913	1,042,704
Commitments and contingencies (See Note 10)	—	—
TOTAL CAPITALIZATION AND LIABILITIES	$ 15,274,821	$ 15,088,142

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations and Comprehensive Income (Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Operating revenues	$ 681,946	$ 636,137
Operating expenses		
Operation and maintenance	329,275	312,203
Depreciation and amortization	106,078	99,649
General taxes	60,767	60,146
(Gain) loss on asset dispositions and purchases	(270)	(94)
Total operating expenses, net	495,850	471,904
Operating income	186,096	164,233
Other income (expenses)		
Interest, net	(73,560)	(78,114)
Allowance for other funds used during construction	2,201	3,396
Allowance for borrowed funds used during construction	1,483	1,653
Amortization of debt expense	(1,673)	(1,581)
Other, net	(1,541)	(776)
Total other income (expenses)	(73,090)	(75,422)
Income before income taxes	113,006	88,811
Provision for income taxes	44,883	31,168
Net income	$ 68,123	$ 57,643
Other comprehensive income (loss), net of tax:		
Pension plan amortized to periodic benefit cost:		
Prior service cost, net of tax of $27 and $28, respectively	41	43
Actuarial loss, net of tax of $(5) and $1,424, respectively	(7)	2,228
Foreign currency translation adjustment	(550)	(366)
Other comprehensive income (loss)	(516)	1,905
Comprehensive income	$ 67,607	$ 59,548
Basic earnings per share	$ 0.38	$ 0.32
Diluted earnings per share	$ 0.38	$ 0.32
Average common shares outstanding during the period		
Basic	178,539	177,327
Diluted	179,457	178,465
Dividends declared per common share	$ 0.00	$ 0.00

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 68,123	$ 57,643
Adjustments		
Depreciation and amortization	106,078	99,649
Provision for deferred income taxes	44,919	29,446
Amortization of deferred investment tax credits	(349)	(376)
Provision for losses on accounts receivable	7,580	3,041
Allowance for other funds used during construction	(2,201)	(3,396)
Gain on asset dispositions and purchases	(270)	(94)
Pension and non-pension postretirement benefits	6,018	19,518
Stock-based compensation expense	2,711	2,042
Other, net	9,624	(8,160)
Changes in assets and liabilities		
Receivables and unbilled revenues	3,307	18,775
Taxes receivable, including income taxes	(4,322)	(3,543)
Other current assets	(9,654)	(12,803)
Pension and non-pension postretirement benefit contributions	(10,714)	(29,766)
Accounts payable	(59,140)	(37,278)
Taxes accrued, including income taxes	21,729	15,597
Interest accrued	41,568	47,291
Change in book overdraft	22,089	(21,960)
Other current liabilities	(2,222)	(26,001)
Net cash provided by operating activities	244,874	149,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(192,466)	(213,086)
Acquisitions	(2,279)	(2,836)
Proceeds from sale of assets	243	280
Removal costs from property, plant and equipment retirements, net	(10,460)	(10,721)
Net funds released	(238)	(1,347)
Net cash used in investing activities	(205,200)	(227,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	0	1,378
Repayment of long-term debt	(2,192)	(2,392)
Proceeds from short-term borrowings with maturities greater than three months	35,000	0
Repayment of short-term borrowings with maturities greater than three months	(221,000)	0
Net short-term borrowings with maturities less than three months	193,920	63,801
Proceeds from issuances of employee stock plans and DRIP	8,199	8,141
Advances and contributions for construction, net of refunds of $5,277 and $4,477 at March 31, 2014 and 2013, respectively	1,358	5,105
Redemption of preferred stocks	(1,200)	(1,200)
Dividends paid	(49,968)	0
Net cash (used in) provided by financing activities	(35,883)	74,833
Net increase (decrease) in cash and cash equivalents	3,791	(3,252)
Cash and cash equivalents at beginning of period	26,964	24,433
Cash and cash equivalents at end of period	$ 30,755	$ 21,181
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid at end of period	$ 109,464	$ 81,455
Non-cash financing activity:		
Advances and contributions	$ 3,526	$ 2,756

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In thousands, except per share data)

	Common Stock					Treasury Stock		Preferred Stock of Subsidiary Companies Without Mandatory Redemption Requirements	
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	At Cost		Total Stockholders' Equity
Balance at December 31, 2013	178,379	$ 1,784	$ 6,261,396	$ (1,495,698)	$ (34,635)	(132)	$ (5,043)	$ 0	$ 4,727,804
Net income	0	0	0	68,123	0	0	0	0	68,123
Direct stock reinvestment and purchase plan, net of expense of $8	10	0	430	0	0	0	0	0	430
Employee stock purchase plan	25	0	1,076	0	0	0	0	0	1,076
Stock-based compensation activity	562	6	9,375	(175)	0	(118)	(4,977)	0	4,229
Other comprehensive loss, net of tax of $22	0	0	0	0	(516)	0	0	0	(516)
Dividends	0	0	0	(59)	0	0	0	0	(59)
Balance at March 31, 2014	178,976	$ 1,790	$ 6,272,277	$ (1,427,809)	$ (35,151)	(250)	$ (10,020)	$ 0	$ 4,801,087

	Common Stock					Treasury Stock		Preferred Stock of Subsidiary Companies Without Mandatory Redemption Requirements	
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	At Cost		Total Stockholders' Equity
Balance at December 31, 2012	176,988	$ 1,770	$ 6,222,644	$ (1,664,955)	$ (116,191)	0	$ 0	$ 1,720	$ 4,444,988
Net income	0	0	0	57,643	0	0	0	0	57,643
Direct stock reinvestment and purchase plan, net of expense of $5	10	0	387	0	0	0	0	0	387
Employee stock purchase plan	25	0	989	0	0	0	0	0	989
Stock-based compensation activity	651	7	8,795	(9)	0	(132)	(5,043)	0	3,750
Other comprehensive income, net of tax of $1,452	0	0	0	0	1,905	0	0	0	1,905
Balance at March 31, 2013	177,674	$ 1,777	$ 6,232,815	$ (1,607,321)	$ (114,286)	(132)	$ (5,043)	$ 1,720	$ 4,509,662

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Basis of Presentation

The accompanying Consolidated Balance Sheet of American Water Works Company, Inc. and Subsidiary Companies (the "Company") at March 31, 2014, the Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2014 and 2013, the Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013, and the Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2014 and 2013, are unaudited, but reflect all adjustments, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated changes in stockholders' equity, the consolidated results of operations and comprehensive income, and the consolidated cash flows for the periods presented. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Because they cover interim periods, the unaudited consolidated financial statements and related notes to the consolidated financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Consolidated Financial Statements and related Notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, due primarily to the seasonality of the Company's operations.

Certain reclassifications have been made to previously reported data to conform to the current presentation.

Note 2: New Accounting Pronouncements

The following recently issued accounting standards have been adopted by the Company and have been included in the consolidated results of operations, financial position or footnotes of the accompanying Consolidated Financial Statements:

Obligations Resulting from Joint and Several Liability Arrangements

In February 2013, the Financial Accounting Standards Board ("FASB") issued guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. Examples of obligations within the scope of the updated guidance include debt arrangements, other contractual obligations and settled litigation and judicial rulings. The update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the following: (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The updated guidance also includes additional disclosures regarding the nature and amount of the obligation, as well as other information about those obligations. The update is effective on a retrospective basis for interim and annual periods beginning January 1, 2014. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows.

Foreign Currency Matters

In June 2013, the FASB issued guidance for a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The amendments resolve differing views in practice and apply to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or a business within a foreign entity. The update is effective prospectively for interim and annual periods beginning January 1, 2014. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows.

The following recently announced accounting standards are not yet required to be adopted by the Company or included in the consolidated results of operations, financial position or footnotes of the Company:

Service Concession Arrangements

In January 2014, the FASB issued guidance for an operating entity that enters into a service concession arrangement with a public sector grantor who controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide the services and at what price. The grantor also controls, through ownership or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement. The guidance specifies that an operating entity should not account for the service concession arrangement as a lease. The operating entity should refer instead to other accounting guidance to account for the various aspects of the arrangement. The guidance also specifies that the infrastructure used in the arrangement should not be recognized as property, plant and equipment of the operating entity. This update should be applied on a modified retrospective basis to service concession arrangements that exist at the beginning of an entity's fiscal year of adoption. This requires the cumulative effect of applying the update to be recognized as an adjustment to the opening retained earnings balance for the annual period of adoption. The update is effective for interim and annual periods beginning January 1, 2015. Early adoption is permitted. The Company is evaluating the impact the updated guidance will have on its results of operations, financial position or cash flows.

Reporting Discontinued Operations

In April 2014, the FASB issued guidance that changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the updated guidance, a discontinued operation is defined as a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity’s operations and financial results. A strategic shift could include a disposal of a major geographical area of operations, a major line of business, a major equity method investment or other major part of the entity. A component comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity including a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group. The update no longer precludes presentation as a discontinued operation if there are operations and cash flows of the component that have not been eliminated from the reporting entity’s ongoing operations or if there is significant continuing involvement with a component after its disposal. The guidance is effective for new disposals after January 1, 2015 and early adoption is permitted for new disposals that have not yet been reported in financial statements. The Company is evaluating the impact the updated guidance will have on its results of operations, financial position or cash flows.

Note 3: Acquisitions

Acquisitions

During the three-month period ended March 31, 2014, the Company closed on two acquisitions: one a regulated water system and the other a regulated system providing water and wastewater services. The aggregate purchase price of these acquisitions totaled $2,279. Assets acquired totaled $2,503 and consisted of utility plant of $1,887, non-utility plant of $315 and goodwill of $301. Liabilities assumed were $224 of contributions in aid of construction.

Note 4: Goodwill

The Company’s annual goodwill impairment test is conducted at November 30 of each calendar year. Interim reviews are performed when the Company determines that a triggering event that would more likely than not reduce the fair value of a reporting unit below its carrying value has occurred. The Company has determined no such triggering event had occurred during the three months ended March 31, 2014.

The change in the Company’s goodwill assets, as allocated between the reporting units is as follows:

	Regulated Unit		Market-Based Operations		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance at January 1, 2014	$ 3,412,063	$ (2,332,670)	$ 235,990	$ (107,619)	$ 3,648,053	$ (2,440,289)	$ 1,207,764
Goodwill from acquisitions	301	0	0	0	301	0	301
Balance at March 31, 2014	$ 3,412,364	$ (2,332,670)	$ 235,990	$ (107,619)	$ 3,648,354	$ (2,440,289)	$ 1,208,065
Balance at January 1, 2013	$ 3,411,549	$ (2,332,670)	$ 235,990	$ (107,619)	$ 3,647,539	$ (2,440,289)	$ 1,207,250
Reclassifications and other activity	(89)	0	0	0	(89)	0	(89)
Balance at March 31, 2013	$ 3,411,460	$ (2,332,670)	$ 235,990	$ (107,619)	$ 3,647,450	$ (2,440,289)	$ 1,207,161

Note 5: Stockholders’ Equity

Common Stock

Under American Water Stock Direct, a dividend reinvestment and direct stock purchase plan (the “DRIP”), stockholders may reinvest cash dividends and purchase additional Company common stock, up to certain limits, through a transfer agent without commission fees. The Company’s transfer agent may buy newly issued shares directly from the Company or shares held in the

Company's treasury. The transfer agent may also buy shares in the public markets or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of March 31, 2014, there were 4,645 shares available for future issuance under the DRIP.

The following table summarizes information regarding issuances under the DRIP for the three months ended March 31, 2014 and 2013:

	2014	2013
Shares of common stock issued	10	10
Cash proceeds received	$ 438	$ 392

Cash dividend payments made during the three–month periods ended March 31, 2014 and 2013 were as follows:

	2014	2013
Dividends per share, three months ended: March 31	$ 0.28	$ 0.00
Total dividends paid, three months ended: March 31	$ 49,968	$ 0

The 2014 payment included $49,909 of dividends accrued as of December 31, 2013.

On April 29, 2014, the Company declared a quarterly cash dividend of $0.31 per share, payable on June 2, 2014 to all shareholders of record as of May 12, 2014.

Accumulated Other Comprehensive Income (Loss)

The following table presents changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2014 and 2013, respectively:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Total Accumulated Other Comprehensive Loss
Beginning balance at January 1, 2014	$ (69,711)	$ 713	$ 31,150	$ 3,213	$ (34,635)
Other comprehensive income (loss) before reclassifications	0	0	0	(550)	(550)
Amounts reclassified from accumulated other comprehensive income	0	41	(7)	0	34
Other comprehensive income (loss) for the period	0	41	(7)	(550)	(516)
Ending balance at March 31, 2014	$ (69,711)	$ 754	$ 31,143	$ 2,663	$ (35,151)
Beginning balance at January 1, 2013	$ (143,183)	$ 539	$ 22,239	$ 4,214	$ (116,191)
Other comprehensive income (loss) before reclassifications	0	0	0	(366)	(366)
Amounts reclassified from accumulated other comprehensive income	0	43	2,228	0	2,271
Other comprehensive income (loss) for the period	0	43	2,228	(366)	1,905
Ending balance at March 31, 2013	$ (143,183)	$ 582	$ 24,467	$ 3,848	$ (114,286)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive income (loss) directly to net income in its entirety. These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 9)

Stock-Based Compensation

The Company has granted stock option and restricted stock unit awards to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "Plan"). As of March 31, 2014, a total of 8,896 shares were available for grant under the Plan. Shares issued under the Plan may be authorized-but-unissued shares of Company stock or reacquired shares of Company stock, including shares purchased by the Company on the open market for purposes of the Plan.

The Company recognizes compensation expense for stock awards over the vesting period of the award. The following table presents stock-based compensation expense recorded in operation and maintenance expense in the accompanying Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Stock options	$ 655	$ 752
Restricted stock units	1,919	1,157
Employee stock purchase plan	137	133
Stock-based compensation in operation and maintenance expense	2,711	2,042
Income tax benefit	(1,057)	(796)
After-tax stock-based compensation expense	$ 1,654	$ 1,246

There were no significant stock-based compensation costs capitalized during the three months ended March 31, 2014 and 2013, respectively.

Stock Options

In the first three months of 2014, the Company granted non-qualified stock options to certain employees under the Plan. The stock options vest ratably over the three-year service period beginning January 1, 2014. These awards have no performance vesting conditions and the grant date fair value is amortized through expense over the requisite service period using the straight-line method.

The following table presents the weighted-average assumptions used in the Black-Scholes option-pricing model and the resulting weighted-average grant date fair value per share of stock options granted through March 31, 2014:

Dividend yield	2.54%
Expected volatility	17.70%
Risk-free interest rate	1.01%
Expected life (years)	3.5
Exercise price	$ 44.06
Grant date fair value per share	$ 4.49

Stock options granted under the Plan have maximum terms of seven years, vest over periods ranging from one to three years, and are granted with exercise prices equal to the market value of the Company’s common stock on the date of grant. As of March 31, 2014, $3,376 of total unrecognized compensation cost related to the non-vested stock options is expected to be recognized over the weighted-average period of 1.7 years.

The table below summarizes stock option activity for the three months ended March 31, 2014:

	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Life (years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	2,055	$ 28.80		
Granted	442	44.06		
Forfeited or expired	(10)	36.88		
Exercised	(249)	27.41		
Options outstanding at March 31, 2014	2,238	$ 31.93	4.4	$ 30,139
Exercisable at March 31, 2014	1,421	$ 26.80	3.4	$ 26,431

The following table summarizes additional information regarding stock options exercised during the three months ended March 31, 2014 and 2013:

	2014	2013
Intrinsic value	$ 4,206	$ 4,955
Exercise proceeds	6,822	6,893
Income tax benefit	1,151	1,418

Restricted Stock Units

During 2011, the Company granted selected employees 189 restricted stock units with internal performance measures and, separately, certain market thresholds. These awards vested in January 2014. The terms of the grants specified that if certain performance on internal measures and market thresholds were achieved, the restricted stock units would vest; if performance were surpassed, up to 175% of the target awards would be distributed; and if performance thresholds were not met, awards would be cancelled. In January 2014, an additional 113 restricted stock units were granted and distributed because performance thresholds were exceeded.

In the first three months of 2014, the Company granted restricted stock units, both with and without performance conditions, to certain employees under the Plan. The restricted stock units without performance conditions vest ratably over the three-year service period beginning January 1, 2014 and the restricted stock units with performance conditions vest ratably over the three-year performance period beginning January 1, 2014 (the “Performance Period”). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period. The restricted stock units granted with service-only conditions and those with internal performance measures are valued at the market value of the Company’s common stock on the date of grant. The restricted stock units granted with market conditions are valued using a Monte Carlo model.

Weighted-average assumptions used in the Monte Carlo simulation are as follows for restricted stock units with market conditions granted through March 31, 2014:

Expected volatility	17.80%
Risk-free interest rate	0.72%
Expected life (years)	3

The grant date fair value of the restricted stock unit awards that vest ratably and have market and/or performance and service conditions is amortized through expense over the requisite service period using the graded-vesting method. Restricted stock units that have no performance conditions are amortized through expense over the requisite service period using the straight-line method. As of March 31, 2014, $10,250 of total unrecognized compensation cost related to the non-vested restricted stock units is expected to be recognized over the weighted-average remaining life of 1.4 years.

The table below summarizes restricted stock unit activity for the three months ended March 31, 2014:

	Shares	Weighted-Average Grant Date Fair Value (per share)
Non-vested total at January 1, 2014	539	$ 36.27
Granted	176	45.06
Performance share adjustment	113	30.34
Vested	(298)	30.69
Forfeited	(4)	39.11
Non-vested total at March 31, 2014	526	$ 41.09

The following table summarizes additional information regarding restricted stock units distributed during the three months ended March 31, 2014 and 2013:

	2014	2013
Intrinsic value	$ 13,175	$ 13,559
Income tax benefit	1,450	2,049

If dividends are declared with respect to shares of the Company’s common stock before the restricted stock units are distributed, the Company credits a liability for the value of the dividends that would have been paid if the restricted stock units were shares of Company common stock. When the restricted stock units are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling $175 and $9 to retained earnings during the three months ended March 31, 2014 and 2013, respectively.

Employee Stock Purchase Plan

Under the Nonqualified Employee Stock Purchase Plan (the “ESPP”), employees can use payroll deductions to acquire Company stock at the lesser of 90% of the fair market value of (a) the beginning or (b) the end of each three-month purchase period. As of March 31, 2014, there were 1,338 shares of common stock reserved for issuance under the ESPP. During the three months ended March 31, 2014, the Company issued 25 shares under the ESPP.

Note 6: Long-Term Debt

The Company primarily issues long-term debt to fund capital expenditures at the regulated subsidiaries. The components of long-term debt are as follows:

	Rate	Weighted Average Rate	Maturity	March 31, 2014	December 31, 2013
Long-term debt of American Water Capital Corp. ("AWCC") (a)					
Private activity bonds and government funded debt					
Fixed rate	2.30%-6.75%	5.63%	2018-2040	$ 330,732	$ 330,732
Senior notes					
Fixed rate	3.85%-8.27%	5.69%	2016-2042	3,312,757	3,312,761
Long-term debt of other subsidiaries					
Private activity bonds and government funded debt					
Fixed rate	0.00%-6.20%	4.69%	2014-2041	861,535	863,716
Mortgage bonds					
Fixed rate	4.29%-9.71%	7.41%	2015-2039	676,500	676,500
Mandatory redeemable preferred stock	8.47%-9.75%	8.61%	2019-2036	17,702	18,902
Capital lease obligation	12.17%	12.17%	2026	906	913
Long-term debt				5,200,132	5,203,524
Unamortized debt, net (b)				35,012	35,984
Fair value adjustment to interest rate hedge				4,396	4,724
Total long-term debt				$ 5,239,540	$ 5,244,232

(a) AWCC, which is a wholly-owned subsidiary of the Company, has a strong support agreement with its parent that, under certain circumstances, is the functional equivalent of a guarantee.
(b) Primarily fair value adjustments previously recognized in acquisition purchase accounting.

The Company did not issue long-term debt during the first three months of 2014.

The following long-term debt was retired through optional redemption or payment at maturity during the first three months of 2014:

Company	Type	Interest Rate	Maturity	Amount
American Water Capital Corp.	Senior notes–fixed rate	6.00%	2039	$ 4
Other subsidiaries	Private activity bonds and government funded debt–fixed rate	0.00%-5.25%	2014-2041	2,181
Other subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1,200
Other subsidiaries	Capital lease payments			7
Total retirements and redemptions				$ 3,392

Interest income included in interest, net is summarized below:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Interest income	$ 3,377	$ 2,835

The Company has an interest-rate swap to hedge $100,000 of its 6.085% fixed-rate debt maturing 2017. The Company pays variable interest of six-month LIBOR plus 3.422%. The swap is accounted for as a fair-value hedge and matures with the fixed-rate debt in 2017.

The following table provides a summary of the derivative fair value balance recorded by the Company and the line item in the Consolidated Balance Sheets in which such amount is recorded:

Balance sheet classification	March 31, 2014	December 31, 2013
Regulatory and other long-term assets		
Other	$ 4,399	$ 4,776
Long-term debt		
Long-term debt	4,396	4,724

For derivative instruments that are designated and qualify as fair-value hedges, the gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current net income. The Company includes the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in interest expense as follows:

	Three Months Ended March 31,	
Income statement classification	2014	2013
Interest, net		
Loss on swap	$ (377)	$ (673)
Gain on borrowing	328	548
Hedge ineffectiveness	(49)	(125)

Note 7: Short-Term Debt

Short-term debt consists of commercial paper borrowings totaling $638,227 (net of discount of $73) at March 31, 2014 and $630,307 (net of discount of $193) at December 31, 2013. During the first three months of 2014, the Company borrowed $35,000 with maturities greater than three months, and repaid $221,000 borrowed in 2013 with maturities greater than three months.

Note 8: Income Taxes

The Company's estimated annual effective tax rate for the three months ended March 31, 2014 was 40.1% compared to 39.8% for the three months ended March 31, 2013, excluding various discrete items.

The Company's actual effective tax rates were as follows:

	Three Months Ended March 31,	
	2014	2013
Actual effective tax rate	39.7%	35.1%

Included in 2013 are discrete items including $3,274 of tax benefits associated with an entity reorganization within the Company's Market-Based segment that allowed for the utilization of state net operating loss carryforwards and the release of a valuation allowance.

Current deferred tax assets increased in 2014 due to the expected utilization of certain tax attributes within the next 12 months.

Note 9: Pension and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

	Three Months Ended March 31,	
	2014	2013
Components of net periodic pension benefit cost		
Service cost	$ 7,943	$ 9,468
Interest cost	19,163	17,024
Expected return on plan assets	(23,709)	(22,107)
Amortization of:		
Prior service cost (credit)	181	181
Actuarial (gain) loss	(33)	9,293
Net periodic pension benefit cost	$ 3,545	$ 13,859
Components of net periodic other postretirement benefit cost		
Service cost	$ 2,764	$ 3,820
Interest cost	7,151	7,175
Expected return on plan assets	(6,875)	(7,571)
Amortization of:		
Prior service cost (credit)	(547)	(547)
Actuarial (gain) loss	(20)	2,782
Net periodic other postretirement benefit cost	$ 2,473	$ 5,659

The Company contributed $7,680 to its defined benefit pension plans in the first three months of 2014 and expects to contribute $29,785 during the balance of 2014. In addition, the Company contributed $3,034 for the funding of its other postretirement plans in the first three months of 2014 and expects to contribute $9,103 during the balance of 2014.

Note 10: Commitments and Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. At March 31, 2014, the Company has accrued approximately $3,300 as probable costs and it is reasonably possible that additional losses could range up to $32,100 for these matters. For certain matters, the Company is unable to estimate possible losses. The Company believes that damages or settlements recovered by plaintiffs in such claims or actions, if any, will not have a material adverse effect on the Company’s results of operations, financial position or cash flows.

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company’s military services agreements expire between 2051 and 2064 and have remaining performance commitments as measured by estimated remaining contract revenue of $2,258,662 at March 31, 2014. The military contracts are subject to customary termination provisions held by the U.S. Federal Government prior to the agreed upon contract expiration. The Company’s Operations and Maintenance agreements with municipalities and other customers expire between 2014 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $938,071 at March 31, 2014. Some of the Company’s long-term contracts to operate and maintain a municipality’s, federal government’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 11: Environmental Matters

The Company’s water and wastewater operations are subject to federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. Remediation costs accrued amounted to $3,300 at March 31, 2014 and December 31, 2013, respectively. The accrual relates to a conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration (“NOAA”) requiring the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the state of California. The Company has agreed to pay $1,100 annually from 2010 through 2016. The Company pursues recovery of incurred costs through all appropriate means, including regulatory recovery through customer rates. The Company's regulatory assets at March 31, 2014 and December 31, 2013 include $7,833 and $8,027, respectively, related to the NOAA agreement.

Note 12: Earnings per Common Share

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company's 2007 Omnibus Equity Compensation Plan, that earn dividend equivalents on an equal basis with common shares. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities.

The following is a reconciliation of the Company's net income and weighted-average common shares outstanding for calculating basic earnings per share:

	Three Months Ended March 31,	
Basic	**2014**	**2013**
Net income	$ 68,123	$ 57,643
Less: Distributed earnings to common shareholders	50,128	9
Less: Distributed earnings to participating securities	15	0
Undistributed earnings	17,980	57,634
Undistributed earnings allocated to common shareholders	17,975	57,614
Undistributed earnings allocated to participating securities	5	20
Total income available to common shareholders, basic	$ 68,103	$ 57,623
Weighted-average common shares outstanding, basic	178,539	177,327
Basic net income per common share	$ 0.38	$ 0.32

Diluted earnings per common share is based on the weighted-average number of common shares outstanding adjusted for the dilutive effect of common stock equivalents related to the restricted stock units, stock options, and employee stock purchase plan. The dilutive effect of the common stock equivalents is calculated using the treasury stock method and expected proceeds on vesting of the restricted stock units, exercise of the stock options and purchases under the employee stock purchase plan.

The following is a reconciliation of the Company's net income and weighted-average common shares outstanding for calculating diluted earnings per share:

	Three Months Ended March 31,	
Diluted	**2014**	**2013**
Total income available to common shareholders, basic	$ 68,103	$ 57,623
Undistributed earnings for participating securities	5	20
Total income available to common shareholders, diluted	$ 68,108	$ 57,643
Weighted-average common shares outstanding, basic	178,539	177,327
Common stock equivalents:		
Restricted stock units	318	381
Stock options	599	755
Employee stock purchase plan	1	2
Weighted-average common shares outstanding, diluted	179,457	178,465
Diluted net income per common share	$ 0.38	$ 0.32

The following potentially dilutive common stock equivalents were not included in the earnings per share calculations because they were anti-dilutive:

	Three Months Ended March 31,	
	2014	**2013**
Stock options	470	317
Restricted stock units where certain performance conditions were not met	90	139

Note 13: Fair Value of Assets and Liabilities

Fair Value of Financial Instruments

The Company used the following methods and assumptions to estimate its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported in the accompanying Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs. The fair values of instruments classified as Level 2 and 3 are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market rates. As a majority of the Company's debts do not trade in active markets, the Company calculated a base yield curve using a risk-free rate (a U.S. Treasury securities yield curve) plus a credit spread that is based on the following two factors: an average of the Company's own publicly-traded debt securities and the current market rates for U.S. Utility A- debt securities. The Company used these yield curve assumptions to derive a base yield for the Level 2 and Level 3 securities. Additionally, the Company adjusted the base yield for specific features of the debt securities including call features, coupon tax treatment and collateral for the Level 3 instruments.

The carrying amounts (including fair value adjustments previously recognized in acquisition purchase accounting) and fair values of the financial instruments are as follows:

Recurring Fair Value Measures	Carrying Amount	At Fair Value as of March 31, 2014 Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 17,621	$ 0	$ 0	$ 22,048	$ 22,048
Long-term debt (excluding capital lease obligations)	5,221,013	2,347,670	1,465,833	2,133,449	5,946,952

Recurring Fair Value Measures	Carrying Amount	At Fair Value as of December 31, 2013 Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 18,827	$ 0	$ 0	$ 22,795	$ 22,795
Long-term debt (excluding capital lease obligations)	5,224,492	2,263,355	1,462,404	2,057,506	5,783,265

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of March 31, 2014 and December 31, 2013, respectively:

Recurring Fair Value Measures	At Fair Value as of March 31, 2014 Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29,497	$ 0	$ 0	$ 29,497
Rabbi trust investments	0	682	0	682
Deposits	2,047	0	0	2,047
Mark-to-market derivative asset	0	4,399	0	4,399
Total assets	31,544	5,081	0	36,625
Liabilities:				
Deferred compensation obligation	0	11,476	0	11,476
Mark-to-market derivative liability	0	1,225	0	1,225
Total liabilities	0	12,701	0	12,701
Total net assets (liabilities)	$ 31,544	$ (7,620)	$ 0	$ 23,924

Recurring Fair Value Measures	At Fair Value as of December 31, 2013 Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29,259	$ 0	$ 0	$ 29,259
Rabbi trust investments	0	444	0	444
Deposits	1,901	0	0	1,901
Mark-to-market derivative asset	0	4,776	0	4,776
Total assets	31,160	5,220	0	36,380
Liabilities:				
Deferred compensation obligation	0	11,928	0	11,928
Mark-to-market derivative liability	0	1,276	0	1,276
Total liabilities	0	13,204	0	13,204
Total net assets (liabilities)	$ 31,160	$ (7,984)	$ 0	$ 23,176

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Restricted funds expected to be released within twelve months subsequent to the balance sheet date are classified as current.

Rabbi trust investments—The Company's rabbi trust investments consist primarily of fixed income investments from which supplemental executive retirement plan benefits are paid. The Company includes these assets in other long-term assets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative asset and liability—The Company utilizes fixed-to-floating interest-rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company also employs derivative financial instruments in the form of variable-to-fixed interest rate swaps, classified as economic hedges, in order to fix the interest cost on some of its variable-rate debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Note 14: Segment Information

The Company has two operating segments that are also the Company’s two reportable segments, referred to as Regulated Businesses and Market-Based Operations. The following table includes the Company’s summarized segment information:

	As of or for the Three Months Ended March 31, 2014			
	Regulated Businesses	Market-Based Operations	Other	Consolidated
Net operating revenues	$ 607,644	$ 78,798	$ (4,496)	$ 681,946
Depreciation and amortization	98,783	1,604	5,691	106,078
Total operating expenses, net	431,957	68,812	(4,919)	495,850
Income (loss) before income taxes	115,028	10,631	(12,653)	113,006
Total assets	13,497,624	284,765	1,492,432	15,274,821
Capital expenditures	191,579	887	0	192,466

	As of or for the Three Months Ended March 31, 2013			
	Regulated Businesses	Market-Based Operations	Other	Consolidated
Net operating revenues	$ 573,237	$ 67,336	$ (4,436)	$ 636,137
Depreciation and amortization	91,857	1,759	6,033	99,649
Total operating expenses, net	415,516	62,381	(5,993)	471,904
Income (loss) before income taxes	98,781	5,671	(15,641)	88,811
Total assets	12,747,924	260,389	1,776,904	14,785,217
Capital expenditures	212,265	821	0	213,086

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included in this Form 10-Q, other than statements of historical fact, may constitute forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future" and "intends" and similar expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Factors that could cause or contribute to differences in results and outcomes from those in our forward-looking statements include, without limitation, those items discussed in the "Risk Factors" section or other sections in the Company's annual report on Form 10-K ("Form 10-K") for the year ended December 31, 2013 filed with the Securities and Exchange Commission ("SEC"), as well as in Item IA of Part II of this Quarterly Report. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

General

American Water Works Company, Inc. (herein referred to as "American Water" or the "Company") is the largest investor-owned United States water and wastewater utility company, as measured both by operating revenue and population served. Our primary business involves the ownership of water and wastewater utilities that provide water and wastewater services to residential, commercial, industrial and other customers. Our Regulated Businesses that provide these services are generally subject to economic regulation by state regulatory agencies ("PUCs") in the states in which they operate. We report the results of these businesses in our Regulated Businesses segment. We also provide services that are not subject to economic regulation by the PUCs. We report the results of these businesses in our Market-Based Operations segment. For further description of our businesses see Item 1, "Business" section, found in our Form 10-K for the year ended December 31, 2013 filed with the SEC.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and in our Form 10-K for the year ended December 31, 2013 filed with the SEC.

Overview

Financial Results. For the three months ended March 31, 2014, we reported net income of $68.1 million, or diluted earnings per share ("EPS") of $0.38 compared to $57.6 million, or diluted EPS of $0.32 for the comparable period in 2013.

The primary factors contributing to the increase in net income for the three months ended March 31, 2014 compared to the same period in 2013 was increased revenues in our Regulated Business segment partially offset by higher operation and maintenance expense ("O&M"), also in our Regulated Businesses. For further details, see "Consolidated Results of Operations and Variances" and "Segment Results" below.

For 2014, our goals include actively addressing regulatory lag that impacts return on our investments and promoting constructive regulatory frameworks, continuing to improve our regulated O&M efficiency ratio, making efficient use of our capital and expanding both our Regulated Businesses segment through focused acquisitions and/or organic growth and our Market-Based Operations segment through core growth, expanding markets and new offerings. Also, in 2014, we anticipate savings from expense reductions attributable to lower business transformation project-related implementation costs, lower pension costs and lower interest expense resulting from our 2013 debt refinancing. In addition, we will continue to concentrate on our customers by achieving established customer satisfaction and service quality targets. Regarding environmental sustainability, we are committed to maximizing our protection of the environment, reducing our carbon and waste footprints and water lost through leakage.

We expect to resolve three rate proceedings during 2014 and plan to file up to four general rate cases, including one which was already filed in January 2014. Additionally, we will file for infrastructure surcharges, either as part of our general rate case filings or in separate filings, and continue to pursue appropriate pass-through mechanisms for certain costs and forward-looking adjustments or mechanisms, including those that recognize declining usage.

The progress that we have made in the first three months of 2014 with respect to certain of these objectives is described below.

Addressing Regulatory Lag. On January 1, 2014, our Pennsylvania rate case settlement, which was approved on December 19, 2013 and provides for $26.0 million in additional annualized revenue, became effective. Also, on January 1, 2014, additional annualized revenues of $0.9 million, $10.1 million and $2.1 million resulting from infrastructure charges in our New York, New Jersey and Illinois subsidiaries, respectively, became effective. Additionally, an environmental cost adjustment mechanism to pass through expenses and capital costs of mandated environmental compliance measures by a utility, which was previously approved by the Missouri Public Service Commission in April 2013, was adopted by our Missouri subsidiary on January 3, 2014, and became effective February 3, 2014.

Also, in January 2014, our New York subsidiary filed two infrastructure surcharges producing additional annualized revenue of approximately $0.7 million and $0.2 million which became effective on March 3, 2014 and April 1, 2014, respectively.

On January 24, 2014, we filed our general rate case in Indiana requesting additional annualized revenues of $19.6 million. On February 28, 2014, the Iowa Utilities Board issued a final order, authorizing additional annualized revenue of $3.8 million for our Iowa subsidiary. The new rates were effective on April 18, 2014. The increase includes approximately $2.7 million of interim rates that were effective May 10, 2013.

On February 25, 2014, our Missouri subsidiary filed for additional revenues from infrastructure charges in the amount of $3.1 million. The filing is expected to be effective during the second quarter of 2014.

On April 1, 2014, the final $1.2 million of annualized revenue rate increase, previously approved by the New York State Public Service Commission in March of 2012, became effective.

In October, 2013, our Tennessee subsidiary filed a petition with the Tennessee Regulatory Authority (“TRA”) that would allow four alternative rate mechanisms including a Qualified Infrastructure Investment Program Rider, an Economic Development Investment Rider, a Safety and Environmental Compliance Rider, and a Production Costs and Other Pass-through mechanism. On January 10, 2014, we filed with the TRA a settlement agreement that we entered into with the Consumer Advocate and Protection Division. The TRA approved both the rate mechanisms and settlement agreement with an effective date of April 15, 2014.

As of May 5, 2014, we are awaiting final orders for general rate cases in two states, requesting additional annualized revenue of approximately $52.0 million, including the Indiana case filed in January 2014. There is no assurance that all, or any portion, of these requested increases will be granted.

Continuing Improvement in O&M Efficiency Ratio for our Regulated Businesses. Our O&M efficiency ratio (a non-GAAP measure) is calculated on our Regulated Businesses’ operations and is defined as operation and maintenance expense divided by operating revenues where both O&M and operating revenues are adjusted to eliminate the impact of purchased water. We also exclude the allocable portion of non-O&M support services costs, mainly depreciation and general taxes that are reflected in the Regulated Businesses segment as O&M costs but for consolidated financial reporting purposes are categorized within other line items in the Statement of Operations. Our O&M efficiency ratio was 41.5% for the three months ended March 31, 2014, compared to 42.9% for the three months ended March 31, 2013. The change in our 2014 O&M efficiency ratio for the three months ended March 31, 2014 was primarily attributable to the increase in our Regulated Businesses’ revenue.

We evaluate our operating performance using this measure because management believes it is a direct measure of the efficiency of our Regulated Businesses’ operations. This information is intended to enhance an investor’s overall understanding of our operating performance. The O&M efficiency ratio is not a measure defined under GAAP and may not be comparable to other companies’ operating measures and should not be used in place of the GAAP information provided elsewhere in this report. The following table provides a reconciliation that compares O&M and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our O&M efficiency ratio for the three months ended March 31, 2014 as compared to the same period in 2013:

Regulated O&M Efficiency Ratio (a Non-GAAP Measure):

	For the three months ended March 31,	
	2014	2013
	(In thousands)	
Total O&M	$ 329,275	$ 312,203
Less:		
O&M—Market-Based Operations	65,840	59,224
O&M—Other	(14,392)	(15,963)
Total Regulated O&M	277,827	268,942
Less:		
Regulated purchased water expense	27,082	23,984
Allocation of internal O&M	9,992	9,554
Adjusted Regulated O&M(a)	$ 240,753	$ 235,404
Total Operating Revenues	$ 681,946	$ 636,137
Less:		
Operating revenues—Market-Based Operations	78,798	67,336
Operating revenues—Other	(4,496)	(4,436)
Total Regulated operating revenues	607,644	573,237
Less: Regulated purchased water expense*	27,082	23,984
Adjusted Regulated operating revenues(b)	$ 580,562	$ 549,253
Regulated O&M efficiency ratio (a)/(b)	41.5%	42.9%

* Calculation assumes purchased water revenues are equal to purchased water expenses.

Making Efficient Use of Capital. We made capital investments of approximately $175.2 million during the three months ended March 31, 2014. Of this total investment, approximately $173.0 million was for Company-funded capital improvements with the remaining $2.2 million for the acquisition of regulated water and/or wastewater systems. For the full-year of 2014, we continue to estimate our total capital plan to be approximately $1.1 billion, with approximately $900 million to $1.0 billion allocated to upgrading our infrastructure and systems and $100 million for acquisitions and strategic investment purposes.

Expanding Markets and Developing New Offerings. During the three months ended March 31, 2014, our Regulated Businesses completed the purchase of a regulated water system and another regulated system with both water and wastewater services. These acquisitions added approximately 900 customers to our regulated operations. Also, as previously announced, in January 2014, our Military Services Group, within our Market-Based Operations was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Hill Air Force Base in Utah and our Homeowner Services Group (“HOS”) expanded its water and sewer line protection programs into Maine, Minnesota and Oklahoma.

Other Matters.

West Virginia Freedom Industries Chemical Spill. As noted in the Form 10-K, on January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant in Charleston, West Virginia. As a result of this event, income before income taxes was reduced by $5.9 million for the three months ended March 31, 2014.

As disclosed in more detail in Part II, Item 1, “Legal Proceedings” in this 10-Q to date, 58 lawsuits have been filed against WVAWC with respect to this matter in the United States District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone, and Putman counties. (The state court cases have been removed to federal court and are subject to remand motions.) Many of these lawsuits also name Freedom Industries (which is now in bankruptcy), and a few also name the Company or other Company affiliates.

The Company and WVAWC believe that WVAWC has responded appropriately to, and has no responsibility for, the Freedom Industries spill and the Company, WVAWC and other Company-affiliated entities named in any of the lawsuits have valid, meritorious defenses to the lawsuits. The Company, WVAWC and the other Company affiliates intend to vigorously contest the lawsuits. Nevertheless, an adverse outcome in one or more of the lawsuits could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation. Moreover, WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or any legislative initiatives that might affect water utility operations.

Consolidated Results of Operations and Variances

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Favorable (Unfavorable) Change
Operating revenues	$ 681,946	$ 636,137	$ 45,809
Operating expenses			
Operation and maintenance	329,275	312,203	(17,072)
Depreciation and amortization	106,078	99,649	(6,429)
General taxes	60,767	60,146	(621)
(Gain) loss on asset dispositions and purchases	(270)	(94)	176
Total operating expenses, net	495,850	471,904	(23,946)
Operating income	186,096	164,233	21,863
Other income (expenses)			
Interest, net	(73,560)	(78,114)	4,554
Allowance for other funds used during construction	2,201	3,396	(1,195)
Allowance for borrowed funds used during construction	1,483	1,653	(170)
Amortization of debt expense	(1,673)	(1,581)	(92)
Other, net	(1,541)	(776)	(765)
Total other income (expenses)	(73,090)	(75,422)	2,332
Income before income taxes	113,006	88,811	24,195
Provision for income taxes	44,883	31,168	(13,715)
Net income	$ 68,123	$ 57,643	$ 10,480
Income per common share			
Basic	$ 0.38	$ 0.32	
Diluted	$ 0.38	$ 0.32	
Average common shares outstanding during the period			
Basic	178,539	177,327	
Diluted	179,457	178,465	

The following is a discussion of the consolidated results of operations for the three months ended March 31, 2014 compared to the three months ended March 31, 2013:

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Operating revenues. Consolidated operating revenues for the three months ended March 31, 2014 increased $45.8 million, or 7.2%, compared to the same period in 2013. The increase is the result of higher revenues in our Regulated Businesses segment of $34.4 million, which is mainly attributable to rate increases, incremental revenues from surcharges and amortization of balancing accounts as well as increased usage. Also, contributing to the higher revenues was an $11.5 million increase in our Market-Based Operations segment primarily due to incremental revenue from our military contracts as a result of increased construction type projects at Fort Meade and Belvoir as well as contract growth in our Homeowner Services Group ("HOS"). For further information, see the respective "Operating Revenues" discussions within the "Segment Results."

Operation and maintenance. Consolidated O&M for the three months ended March 31, 2014 increased by $17.1 million, or 5.5%, compared to the same period in 2013. The variance is primarily due to higher O&M costs in our Regulated Businesses segment of $8.9 million, principally due to increased production costs and in our Market-Based segment of $6.6 million mainly as a result of incremental cost related to increased activity in our military contracts, corresponding with the increased revenue. For further discussions on the changes in our Regulated and Market-Based segments' O&M, see the respective "Operation and Maintenance" discussions within the "Segment Results."

Depreciation and amortization. Depreciation and amortization expense increased by $6.4 million, or 6.5%, for the three months ended March 31, 2014, compared to the same period in the prior year principally as a result of additional utility plant placed in service, including Phase II of our business transformation project that went into service during the second and fourth quarters of 2013.

Other income (expenses). Other expenses decreased by $2.3 million, or 3.1%, for the three months ended March 31, 2014, compared to the same period in the prior year. The change is primarily due to a reduction in interest expense resulting from interest savings as a result of our 2013 refinancings, offset by a reduction in AFUDC which is mainly attributable to Phase II of our business transformation project being placed into service in the second and fourth quarters of 2013.

Provision for income taxes. Our consolidated provision for income taxes increased $13.7 million, or 44.0%, to $44.9 million for the three months ended March 31, 2014. The effective tax rates for the three months ended March 31, 2014 and 2013 were 39.7% and 35.1%, respectively. The 2013 rate included a $3.3 million tax benefit associated with a legal structure reorganization in our Market-Based segment. This strategic restructuring allows us to utilize state net operating loss carryforwards, which without the restructuring most likely would not have been utilized prior to their expiration.

Segment Results

We have two operating segments that are also our reportable segments: the Regulated Businesses and the Market-Based Operations. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income before income taxes.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses for the periods indicated:

	For the three months ended March 31,		
	2014	2013	Increase (Decrease)
		(In thousands)	
Operating revenues	$ 607,644	$ 573,237	$ 34,407
Operation and maintenance expense	277,827	268,942	8,885
Operating expenses, net	431,957	415,516	16,441
Income before income taxes	115,028	98,781	16,247

Operating revenues. Our primary business involves the ownership of water and wastewater utilities that provide services to residential, commercial, industrial and other customers. This business is generally subject to PUC economic regulation and our results of operations are impacted significantly by rates authorized by the PUCs in the states in which we operate.

Operating revenues increased by $34.4 million, or 6.0%, for the three months ended March 31, 2014, as compared to the same period in 2013. The increase in revenues is principally due to incremental revenues of approximately $19.8 million attributable to rate increases from rate authorizations for a number of our operating companies and higher consumption which increased revenues by approximately $5.8 million. Additionally revenues were higher by $5.3 million due to increased surcharge and amortization of balancing accounts. Lastly, revenues increased by $3.3 million as a result of 2013 acquisitions, with the most significant being the acquisition of Dale Service Corporation (“Dale”) by our Virginia subsidiary in the fourth quarter of 2013.

The following table provides information regarding the Regulated Businesses' for the periods indicated:

	For the three months ended March 31,							
	2014	2013	Increase (Decrease)	Percentage	2014	2013	Increase (Decrease)	Percentage
	Operating Revenues (dollars in thousands)				Billed Water Sales Volume (gallons in millions)			
Customer Class								
Water service								
Residential	$ 353,524	$ 326,142	$ 27,382	8.4%	39,937	37,988	1,949	5.1%
Commercial	129,819	114,074	15,745	13.8%	18,989	16,922	2,067	12.2%
Industrial	33,569	28,201	5,368	19.0%	9,815	8,883	932	10.5%
Public and other	83,966	73,953	10,013	13.5%	13,409	11,627	1,782	15.3%
Other water revenues	777	5,134	(4,357)	(84.9%)	—	—	—	—
Billed water services	601,655	547,504	54,151	9.9%	82,150	75,420	6,730	8.9%
Unbilled water services	(26,207)	(5,460)	(20,747)	380.0%				
Total water service revenues	575,448	542,044	33,404	6.2%				
Wastewater service revenues	22,408	19,884	2,524	12.7%				
Other revenues	9,788	11,309	(1,521)	(13.4%)				
	$ 607,644	$ 573,237	$ 34,407	6.0%				

Water Services – Water service operating revenues for the three months ended March 31, 2014 totaled $575.4 million, a $33.4 million increase, or 6.2%, over the same period of 2013. As described above, this increase is primarily due to rate increases, higher consumption and incremental revenues associated with surcharges and amortization of balancing accounts. Also, it should be noted that the mix between billed revenues and unbilled revenues for the three months ended March 31, 2014, as compared to the same period in 2013, has changed. This change is principally the result of the implementation of our Customer Information System "CIS" as part of Phase II of our business transformation project. At December 31, 2013, unbilled revenues were significantly higher than historical levels due to billing delays in certain accounts. During the first quarter of 2014, we have addressed a majority of these delayed billings. Therefore, as a result, the change in unbilled water revenue for the first quarter of 2014 compared to the same period in 2013 has decreased by $20.7 million with a corresponding increase in billed revenues.

Wastewater services – Our subsidiaries provide wastewater services in ten states. Revenues from these services increased $2.5 million, or 12.7%, for the three months ended March 31, 2014, compared to the same period in 2013. The increase is primarily attributable to the Dale acquisition in the fourth quarter of 2013.

Operation and maintenance expense. Operation and maintenance expense increased $8.9 million, or 3.3%, for the three months ended March 31, 2014, compared to the same period in 2013.

The following table provides information regarding operation and maintenance expense for the three months ended March 31, 2014 and 2013, by major expense category:

	For the three months ended March 31,			
	2014	2013	Increase (Decrease)	Percentage
	(Dollars in thousands)			
Production costs	$ 69,259	$ 60,450	$ 8,809	14.6%
Employee-related costs	107,181	113,201	(6,020)	(5.3%)
Operating supplies and services	56,265	54,360	1,905	3.5%
Maintenance materials and supplies	20,447	18,279	2,168	11.9%
Customer billing and accounting	13,205	10,172	3,033	29.8%
Other	11,470	12,480	(1,010)	(8.1%)
Total	$ 277,827	$ 268,942	$ 8,885	3.3%

Production costs by major expense type were as follows:

	For the three months ended March 31,			
	2014	2013	Increase (Decrease)	Percentage
	(Dollars in thousands)			
Purchased Water	$ 27,082	$ 23,984	$ 3,098	12.9%
Fuel and Power	23,918	19,978	3,940	19.7%
Chemicals	10,668	10,604	64	0.6%
Waste Disposal	7,591	5,884	1,707	29.0%
Total	$ 69,259	$ 60,450	$ 8,809	14.6%

Production costs increased overall by $8.8 million, or 14.6%, for the three months ended March 31, 2014, compared to the same period in the prior year. The higher costs are mainly due to incremental purchased water costs, principally due to price increases in our California subsidiary and higher fuel and power costs due to increased customer demand and higher supplier prices in several of our operating facilities.

Employee-related costs, including salaries and wages, group insurance and pension expense, decreased $6.0 million, or 5.3%, for the three months ended March 31, 2014, compared to the same period in the prior year. These employee-related costs represent approximately 39% and 42% of operation and maintenance expense for the three months ended March 31, 2014 and 2013, respectively.

The following table provides information with respect to components of employee-related costs for the three months ended March 31, 2014 and 2013:

	For the three months ended March 31,			
	2014	2013	Increase (Decrease)	Percentage
	(Dollars in thousands)			
Salaries and wages	$ 81,083	$ 78,845	$ 2,238	2.8%
Pensions	6,820	12,371	(5,551)	(44.9%)
Group insurance	14,365	16,844	(2,479)	(14.7%)
Other benefits	4,913	5,141	(228)	(4.4%)
Total	$ 107,181	$ 113,201	$ (6,020)	(5.3%)

The overall decrease in employee-related costs for the three months ended March 31, 2014, compared to the same period in 2013, was primarily due to a reduction in pension and group insurance expenses, with the primary driver of group insurance being postretirement benefit costs. These decreases are principally due to the change in the discount rate, which in turn results in decreased contributions, in particular in certain of our regulated operating companies whose costs are recovered based on our funding policy, which is to fund at least the minimum amount required by the Employee Retirement Income Security Act of 1974. Partially offsetting these decreases was an increase in salaries and wages expense for the three months ended March 31, 2014, compared to the same period in 2013. This increase is the result of annual wage increases and increased overtime expense attributable to increased number of main breaks as a result of the harsh winter weather conditions, offset by a reduction in incentive compensation expense due to a lower than expected 2013 incentive compensation payout as well as higher capitalization rates as a result of increased capital projects.

Operating supplies and services include the day-to-day expenses of office operation, legal and other professional services, transportation expenses, information systems rental charges and other office equipment rental charges. These costs increased $1.9 million, or 3.5%, for the three months ended March 31, 2014. The overall increase was primarily due to increased legal costs for our West Virginia subsidiary associated with the Freedom Industries Chemical Spill which occurred in January 2014. Partially offsetting the increase in costs was lower contracted service in the first quarter of 2014 compared to 2013. This decrease was the result of the inclusion in 2013 of additional costs, mainly as a result of backfilling positions; the use of contractors for certain projects; and incremental costs attributable to the continued maturity of our Enterprise Resource Planning systems in conjunction with the implementation of our business transformation project.

Maintenance materials and supplies, which include emergency repairs as well as costs for preventive maintenance, increased $2.2 million, or 11.9%, for the three months ended March 31, 2014, compared to the same period in 2013 mainly due to an increase in paving and backfilling and other repair costs resulting from the higher number of main breaks due to abnormally harsh winter weather conditions throughout our operating areas.

Customer billing and accounting expenses, which include uncollectible accounts expense, postage and other customer related expenses, increased $3.0 million, or 29.8%, for the three months ended March 31, 2014, respectively, compared to the same period in the prior year. This increase is primarily due to incremental uncollectible expense associated with an increase in customer accounts receivable attributable to theoverall aging of receivables as well as rate increases. We believe the aging of our receivables is the result of temporary changes made in our collection process with the implementation of our new Customer Information System in 2013.

Other operation and maintenance expense includes casualty and liability insurance premiums and regulatory costs. The decrease in these costs for the three months ended March 31, 2014, was primarily driven by lower regulatory expenses in one of our operating subsidiaries compared to the same period in the prior year.

Operating expenses. The increase in operating expenses, for the three months ended March 31, 2014, is principally due to the increase in operation and maintenance expense explained above and higher depreciation and amortization expense of $6.9 million. The increase in depreciation and amortization is primarily due to additional utility plant placed in service, including Phase II of our business transformation project.

Market-Based Operations

The following table provides financial information for our Market-Based Operations segment for the periods indicated:

	For the three months ended March 31,		
	2014	2013	Increase (Decrease)
	(In thousands)		
Operating revenues	$ 78,798	$ 67,336	$ 11,462
Operation and maintenance expense	65,840	59,224	6,616
Operating expenses, net	68,812	62,381	6,431
Income before income taxes	10,631	5,671	4,960

Operating revenues. Revenues for the three months ended March 31, 2014 increased $11.5 million, compared to the same period in 2013, due to incremental revenues in our Contract Operations Group of $7.6 million and HOS of $5.3 million due to contract growth mainly with our New York City contracts. The increase in the Contract Operations Group is primarily related to additional revenues from capital project activities associated with our military contracts partially offset by a reduction in revenues attributable to terminated municipal and industrial operations and maintenance contracts in 2013.

Operation and maintenance. Operation and maintenance expense increased $6.6 million, or 11.2%, for the three months ended March 31, 2014.

The following table provides information regarding categories of operation and maintenance expense for the three months ended March 31, 2014 and 2013:

	For the three months ended March 31,			
	2014	2013	Increase (Decrease)	Percentage
	(Dollars in thousands)			
Production costs	$ 9,974	$ 10,059	$ (85)	(0.8%)
Employee-related costs	14,566	16,331	(1,765)	(10.8%)
Operating supplies and services	27,779	21,470	6,309	29.4%
Maintenance materials and supplies	11,503	10,586	917	8.7%
Other	2,018	778	1,240	159.4%
Total	$ 65,840	$ 59,224	$ 6,616	11.2%

As noted in the table above, the primary factor contributing to the overall increase was an increase in operating supplies and services. This increase is attributable to the increase in construction project activities for our military contracts and corresponds with the incremental revenues.

Operating expense. The changes in operating expenses for the three months ended March 31, 2014, compared to the same period in 2013, are primarily due to the variances in the operation and maintenance expense explained above.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources," contained in part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013.

We rely on our revolving credit facility, the capital markets and our cash flows from operations to fulfill our short-term liquidity needs, to issue letters of credit and to support our commercial paper program. We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and to the extent necessary, our revolving credit facility. We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in the revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our financing subsidiary, issue commercial paper, which is supported by the revolving credit facility. The revolving credit facility is also used, to a limited extent, to support our issuance of letters of credit and from time to time, for direct borrowings. As of March 31, 2014, AWCC had no outstanding borrowings and $41.0 million of outstanding letters of credit under the revolving credit facility. As of March 31, 2014, AWCC had $1.2 billion available under the credit facility that we can use to fulfill our short-term liquidity needs, to issue letters of credit and support our $638.2 million outstanding commercial paper. We can provide no assurances that our lenders will meet their existing commitments or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. Cash flows from operating activities for the three months ended March 31, 2014 were $244.9 million compared to $149.6 million for the three months ended March 31, 2013.

The following table provides a summary of the major items affecting our cash flows from operating activities for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(In thousands)	
Net income	$ 68,123	$ 57,643
Add (subtract):		
Non-cash activities (1)	174,110	141,670
Changes in working capital (2)	13,355	(19,922)
Pension and postretirement healthcare contributions	(10,714)	(29,766)
Net cash flows provided by operations	$ 244,874	$ 149,625

(1) Includes, depreciation and amortization, provision for deferred income taxes, amortization of deferred investment tax credits, provision for losses on accounts receivable, allowance for other funds used during construction, (gain) loss on asset dispositions and purchases, pension and non-pension postretirement benefits expense, stock-based compensation expense and other non-cash items. Details of each component can be found in the Consolidated Statements of Cash Flows.

(2) Changes in working capital include changes to receivables and unbilled utility revenue, taxes receivable including income taxes, other current assets, accounts payable, taxes accrued (including income taxes), interest accrued, change in book overdraft and other current liabilities.

Our working capital needs are primarily limited to funding the increase in our customer accounts receivable and unbilled revenues which is mainly associated with the revenue increase as a result of rate increases in our Regulated Businesses. We address this timing issue through the aforementioned liquidity funding mechanisms. Our cash collections for our Regulated Businesses' accounts receivable, some of which were unbilled as December 31, 2013, showed improvement during the first quarter of 2014 compared to the second half of 2013. In the second half of 2013, the rate of cash collections in particular in those states in which we implemented CIS in the second quarter of 2013, were slower than historical payment patterns. We believe this degradation in cash collections to be as a result of certain implementation decisions, made as part of the CIS implementation, including such items as the manual validation of bills prior to being mailed to customers and decreased collection efforts. Therefore, we believe this situation to be only temporary in nature. Although cash collections increased during the first quarter of 2014, there are no assurances that this rate of cash collections will continue or be consistent with previous historical collection patterns.

The increase in cash flows from operating activities was primarily due to higher net income adjusted for non-cash activities, the changes in working capital and a reduction in pension and postretirement benefit contributions. The increase in working capital for the three months ended March 31, 2014 compared to the same period in the prior year is principally the result of increased processing of payments, accounts payable and accrued expenses, in the first quarter of 2013, which was attributed to delays in payment of vendor invoices in the latter portion of 2012 as a result of the implementation of Phase I of our business transformation project.

Cash Flows from Investing Activities

The following table provides information regarding cash flows used in investing activities for the periods indicated:

	Three Months Ended March 31,	
	2014	**2013**
	(In thousands)	
Net capital expenditures	$ (192,466)	$ (213,086)
Proceeds from sale of assets	243	280
Acquisitions	(2,279)	(2,836)
Other investing activities, net (1)	(10,698)	(12,068)
Net cash flows used in investing activities	$ (205,200)	$ (227,710)

(1) Includes removal costs from property, plant and equipment retirements, net and net funds released.

Cash flows used in investing activities for the three months ended March 31, 2014 was $205.2 million compared to $227.7 million for the three months ended March 31, 2013. The decrease in net capital expenditures is primarily due to the inclusion in 2013 of capital spending for our business transformation project.

Cash Flows from Financing Activities

Our financing activities, primarily focused on funding construction expenditures, include the issuance of long-term and short-term debt, primarily through AWCC. We intend to access the capital markets on a regular basis, subject to market conditions. In addition, new infrastructure may be financed with customer advances and contributions for construction (net of refunds).

As previously noted AWCC is a wholly-owned finance subsidiary of American Water Works Company, Inc. (the "parent company"). Based on the needs of our regulated subsidiaries and the parent company, AWCC borrows in the capital markets and then, through intercompany loans, provides those borrowings to the regulated subsidiaries and the parent company. The regulated subsidiaries and the parent company are obligated to pay their portion of the respective principal and interest to AWCC in the amount necessary to enable AWCC to meet its debt service obligations. Because the parent company borrowings are not a source of capital for the Company's regulated subsidiaries, the Company is not able to recover the interest charges on parent company debt through regulated water and wastewater rates.

Our intent is to utilize commercial paper for short-term liquidity as commercial paper borrowings have historically been more flexible and a lower cost option. However, if necessary we utilize our credit facility to complement our borrowings in the commercial paper market. Certain disruptions in the money market sector of the debt capital markets may make borrowings under our revolving credit facility more efficient and/or a lower cost alternative to commercial paper.

No long-term debt was issued during the first three months of 2014.

The following long-term debt was retired through optional redemption, sinking fund provisions or payment at maturity during the first three months of 2014:

Company	Type	Interest Rate	Maturity	Amount
American Water Capital Corp.	Senior notes - fixed rate	6.00%	2039	$ 4
Other subsidiaries	Private activity bonds and government funded debt -fixed rate	0.00%-5.25%	2014-2041	2,181
Other subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1,200
Other subsidiaries	Capital lease payments			7
Total retirements and redemptions				$ 3,392

From time to time, and as market conditions warrant, we may engage in additional long-term debt retirements via tender offers, open market repurchases or other viable transactions.

Credit Facilities and Short-Term Debt

Short-term debt balance, consisting of commercial paper, net of discount, amounted to $638.2 million at March 31, 2014.

The following table provides information as of March 31, 2014 regarding letters of credit sub-limits under our revolving credit facility and available funds under the revolving credit facility, as well as outstanding amounts of commercial paper and borrowings under our revolving credit facility.

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sub-limit	Available Letter of Credit Capacity	Outstanding Commercial Paper (Net of Discount)	Credit Line Borrowings
	(In thousands)					
March 31, 2014	$ 1,250,000	$ 1,208,954	$ 150,000	$ 108,954	$ 638,227	$ -

The weighted-average interest rate on short-term borrowings for the three months ended March 31, 2014 and 2013 was approximately 0.32% and 0.41%, respectively.

Capital Structure

The following table provides information regarding our capital structure for the periods presented:

	At March 31, 2014	At December 31, 2013
Total common stockholders' equity	45%	45%
Long-term debt and redeemable preferred stock at redemption value	49%	49%
Short-term debt and current portion of long-term debt	6%	6%
	100%	100%

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance, we, or our subsidiaries, may be restricted in the ability to pay dividends, issue new debt or access our revolving credit facility. We were in compliance with our covenants as of March 31, 2014. As of April 30, 2014, two of our smaller operating companies are in technical non-compliance with certain of their reporting requirements. However, there is no impact on their financial health or their ability to access capital. Our failure to comply with restrictive covenants under our credit facility could accelerate repayment obligations. Our long-term debt indentures contain a number of covenants that, among other things, limit the Company from issuing debt secured by the Company's assets, subject to certain exceptions.

Certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. As of March 31, 2014, our ratio was 0.55 to 1.00 and therefore we were in compliance with the covenant.

Security Ratings

Our access to the capital markets, including the commercial paper market, and respective financing costs in those markets, is directly affected by securities ratings of the entity that is accessing the capital markets. We primarily access the capital markets, including the commercial paper market, through AWCC. However, we have also issued debt through our regulated subsidiaries, primarily in the form of tax exempt securities or borrowings under state revolving funds, to lower our overall cost of debt.

The following table shows the Company's securities ratings as of March 31, 2014:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Senior unsecured debt	Baa1	A-
Commercial paper	P2	A2

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

As part of the normal course of business, we routinely enter into contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit us and our counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if we are downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that we provide collateral to secure our obligations. We do not expect that our posting of collateral would have a material adverse impact on our results of operations, financial position or cash flows.

Dividends

Our board of directors' practice has been to distribute to our shareholders a portion of our net cash provided by operating activities as regular quarterly dividends, rather than retaining that cash for other purposes. Since the dividends on our common stock are not cumulative, only declared dividends will be paid.

On March 3, 2014, we made a cash dividend payment of $0.28 per share to all shareholders of record as of February 3, 2014. In order to take advantage of existing 2012 tax rates, the cash dividend payment that would have historically been paid in March 2013 was paid in December 2012.

On April 29, 2014 our board of directors declared a quarterly cash dividend payment of $0.31 per share payable on June 2, 2014 to all shareholders of record as of May 12, 2014.

Market Risk

There have been no significant changes to our market risk since December 31, 2013. For a discussion of our exposure to market risk, refer to Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates," in our Form 10-K for the year ended December 31, 2013 filed with the SEC for a discussion of our critical accounting policies.

Recent Accounting Pronouncements

See Part I, Item 1 – Financial Statements (Unaudited) – Note 2 – New Accounting Pronouncements in this Quarterly Report on Form 10-Q for a discussion of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. For further discussion of market risks see "Market Risk" in Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water Works Company, Inc. maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Securities Exchange Act of 1934 ("the Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act) as of March 31, 2014 pursuant to 15d-15(e) under the Exchange Act.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2014, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K") in Part I, Item 1, "Legal Proceedings."

Alternative Water Supply in Lieu of Carmel River Diversions

The Form 10-K describes the Complaint for Declaratory Relief filed by California-American Water Company ("CAWC") against the Marina Coast Water District ("MCWD") and the Monterey County Water Resources Agency ("MCWRA"), which, following a transfer of the case, is before the San Francisco County Superior Court. The Complaint seeks a determination by the Court as to whether the certain agreements related to the now-abandoned Regional Desalination Project are void as a result of the alleged conflict of interest of a former director of MCWRA (described in the Form 10-K), or remained valid. Subsequent to the filing of the Form 10-K, the former director entered a plea of no contest to, among other things, a felony violation of California Government Code section 1090 ("Section 1090"), which precludes public officials from being financially interested in any contract made by them in their official capacity.

MCWD filed a Cross-Complaint against CAWC and MCWRA, and a Motion for Summary Judgment and Summary Adjudication seeking a determination that the agreements are valid. In its pleadings, MCWD asserts that CAWC's action was barred by a 60-day statute of limitations applicable to certain contracts entered into by the MCWD and to certain contracts entered into by the MCWRA. MCWD also argued that the Court does not have jurisdiction to determine the validity of the agreements on the basis that the agreements were approved by final decisions of the California Public Utilities Commission (the "CPUC"), and under the California Public Utilities Code, superior courts are prohibited from exercising jurisdiction to decide matters that would interfere with the CPUC's policies or performance of its duties.

On February 25, 2014, the Court ruled that CAWC's action was barred by the 60-day statutes of limitations. However, the Court also ruled that MCWRA had a four-year statute of limitations under California Government Code section 1092(b), which invalidates contracts made in violation of Section 1090. Therefore, the Court held that MCWRA's time for challenging the validity of the agreements had not expired. The Court also denied MCWD's motion for a summary adjudication that the agreements were valid or that the Court did not have jurisdiction to determine the validity of the agreements. MCWRA subsequently filed a motion with the Court seeking leave to file a cross-complaint for declaratory relief on the basis that the actions of the former director renders the agreements void. On April 15, 2014, the Court granted MCWRA's motion, and on April 16, 2014, MCWRA filed a cross-complaint against MCWD, contending that the agreements were void as a result of the former director's conduct and financial interest in the agreements. MCWRA seeks a declaration of the parties' rights and duties under the agreements and a declaration that the agreements are void.

The Form 10-K also describes the filing by California-American Water Company ("CAWC") of a formal claim with Marina Coast Water District ("MCWD") seeking monetary damages from MCWD, and the Board of MCWD's notice that it rejected CAWC's claim. As noted in the Form 10-K, CAWC and MCWD entered into a tolling agreement and extensions of the agreement with respect to CAWC's claims, which toll applicable statutes of limitations and the deadline for a commencement of litigation regarding CAWC's claims until March 1, 2014. A subsequent agreement between CAWC and MCWD extended the tolling and deadline for the commencement of litigation to August 1, 2014.

Water Treatment Residuals Disposal Matters

The Form 10-K describes CAWC's advice to the Monterey County Health Department ("MCHD") that, based on an analysis requested by MCHD, it appears that some of the residual wastes from CAWC's Ambler Park, Toro and Ryan Ranch water treatment plants may have exceeded California hazardous waste soluble threshold limit concentration requirements and should therefore have not been disposed of at the non-hazardous waste disposal facilities to which they were transported. The Form 10-K also referenced communications between the Company and the Monterey County District Attorney's Office, which advised CAWC that it received a report from MCHD that CAWC had transported and disposed such hazardous wastes in violation of applicable provisions of the California Health and Safety Code and the California Business and Professions Code. In April 2014, following further discussions, CAWC and the District Attorney entered into a Stipulation for Entry of Judgment designed to settle the matter, and the Superior Court of Monterey County, following its approval of the settlement on April 11, 2014, issued a Stipulated Judgment. Under the Stipulated Judgment, which did not constitute an admission by CAWC regarding any issue of fact alleged in the District Attorney's simultaneously-filed complaint, the Court permanently enjoined CAWC from engaging in violations of the California Health and Safety Code and related regulatory provisions and ordered CAWC to pay $389,855 (including $325,000 in civil penalties, $4,855 in costs, and $60,000 for a supplemental environmental project).

West Virginia Elk River Chemical Spill

The Form 10-K describes events related to the leakage of two substances (the substances are 4-methylcyclohexane methanol (“MCHM”), and PPH/DiPPH, a mix of polyglycol ethers) from a chemical storage tank owned by Freedom Industries, Inc. into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia, and litigation that has ensued in connection with the matter. To date, 58 lawsuits have been filed against WVAWC with respect to this matter in the United States District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone, and Putman counties. The state court cases were removed to the United States District Court for the Southern District of West Virginia, but are subject to motions to remand the cases to the state courts.

The Company and WVAWC believe that WVAWC has responded appropriately to, and has no responsibility for, the Freedom Industries spill and the Company, WVAWC and other Company-affiliated entities named in any of the lawsuits have valid, meritorious defenses to the lawsuits. The Company, WVAWC and the other Company affiliates intend to vigorously contest the lawsuits. Nevertheless, an adverse outcome in one or more of the lawsuits could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation. Moreover, WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or any legislative initiatives that might affect water utility operations.

Moreover, by a letter dated February 18, 2014, and as summarized in the Form 10-K in Item 1A, “Risk Factors,” a purported stockholder made a demand that the Company's board of directors take action to remedy alleged breaches of fiduciary duties by all of the members of the board and the Company’s President and Chief Operating Officer, Regulated Operations in connection with this matter. The stockholder asserts his belief that the directors and officers breached their duties of loyalty and care and good faith when they knowingly and/or recklessly failed to monitor, protect and maintain the Company's valuable business operations and its reputation and goodwill in the marketplace. The board of directors has appointed a demand review committee that, with the assistance of independent counsel, will, among other things, investigate, evaluate and make recommendations to the board of directors based on its investigation. Once it has received the committee’s recommendations, the board of directors will determine the appropriate response to the demand letter.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2013, and our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from risk factors previously disclosed in “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
*10.1	2014 Annual Incentive Plan Highlights Brochure
*10.2	Employment Letter Agreement between Linda G. Sullivan and American Water Works Company, Inc. dated March 10, 2014
*10.3	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for ML2 – L5
*10.3A	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for ML2 – L5
*10.4	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for ML2 – L5
*10.4A	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for ML2 – L5
*10.5	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for ML2 – L5
*10.5A	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for ML2 – L5
*10.6	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5
*10.6A	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5
*10.7	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for Jeffry E. Sterba
*10.8	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for Jeffry E. Sterba
*10.9	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for Jeffry E. Sterba
*10.10	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for Jeffry E. Sterba
*31.1	Certification of Jeffry Sterba, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act
*31.2	Certification of Susan N. Story, Senior Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act
*32.1	Certification of Jeffry Sterba, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act
*32.2	Certification of Susan N. Story, Senior Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act
101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, filed with the Securities and Exchange Commission on May 7, 2014 , formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Comprehensive Income; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statements of Changes in Stockholders' Equity; and (v) the Notes to Consolidated Financial Statements.

* filed herewith.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 7th day of May, 2014.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

/S/ Jeffry Sterba
Jeffry Sterba
President and Chief Executive Officer
Principal Executive Officer

/S/ Susan N. Story
Susan N. Story
Senior Vice President and Chief Financial Officer
Principal Financial Officer

/S/ Mark Chesla
Mark Chesla
Vice President and Controller
Principal Accounting Officer

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* filed herewith.

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Section 2: EX-10 (EXHIBIT 10.1)

Exhibit 10.1

AMERICAN WATER

2014 Annual Incentive Plan

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THE 2014 ANNUAL INCENTIVE PLAN

Your Performance —Your Award

At American Water, your performance counts. We rely on our employees' knowledge and skills to help the company achieve its business objectives.

- The American Water 2014 Annual Incentive Plan (AIP) is designed to give eligible exempt employees an annual opportunity to earn a cash award that recognizes and rewards their contributions to the company's success. This means that company and individual performance are both taken into account to determine cash awards under the plan. We continue to make adjustments to the AIP design to reinforce the link between company and individual performance and award payouts.
- The AIP program for 2014 is similar to last year, and directly ties the amount of available cash for AIP payouts to company performance against specific metrics. For 2014, the performance metrics have been adjusted, replacing measures around Business Transformation. We have increased targets for safety, service quality and customer satisfaction. Doing so continues to drive value for our customers and focuses our efforts to ensure that the work we do is always safe.
- Your individual performance continues to play a large role in determining the amount of your payout. Employees who exceed their performance targets could receive higher payouts. Conversely, employees who underperform and do not meet their performance targets could receive lower payouts or no payout at all. In short, your performance directly impacts the amount of your award. The 2014 AIP is designed to challenge and motivate you to perform at your highest level, and promote the creation of value to the customer and shareholder. Read this brochure to learn about how the 2014 plan works and what it means for you.

ELEMENTS OF THE PROGRAM

- AIP award pool funding is based on overall corporate performance against specific financial and non-financial performance (represented by the Corporate Multiplier), then allocated across organizational groups/functional areas. Allocation is subject to senior management's discretion and recognizes organizational group/functional area results.
  - AIP funding for all eligible exempt employees depends on the company achieving its financial and nonfinancial performance.
  - A pre-determined financial threshold for company performance must be met in order for funding and any award to be provided under the AIP.
- Individual award payouts will be based on individual performance against specific goals represented by the Individual Performance Factor and paid from available organizational group/functional area funding.
- For 2014, the Individual Performance Factor range is 0%–200%. Individual payouts will be capped at 200% of AIP target award.
- Award opportunity (Target Award) is expressed as a percentage of base salary. (See Attachment B.)
  - Actual payout may be lower or higher than target depending on company and individual performance against specific goals.
- Individual performance is assessed by your manager and measured against your predetermined performance goals.
- Your AIP will be distributed as a cash award in March.
  - You must be actively employed with American Water on the date awards are paid to receive your 2014 AIP payout. You (or your beneficiary) may be eligible for a prorata award if you are disabled, retire, die, involuntarily terminate (not "for cause") or a divestiture occurred on or after July 1, 2014. In the event of an involuntary termination for cause, you would not be eligible to receive an award.

Eligibility

- You are eligible for an AIP award opportunity if you are a regular, full-time exempt employee of American Water.
  - Regular, full-time exempt employees who join American Water on or before September 30, 2014 are also eligible to participate in the AIP on a prorated basis.
  - Employees transferred from nonexempt to exempt status on or after September 30, 2014 are not eligible in the current plan year.
- If you are promoted or transferred during the plan year to a position with a higher AIP target level, or if you are reclassified/transferred to a position with a lower AIP target level, your award payout will be based on your new salary and target level as of December 12, 2014, except ML4s and above who will be prorated at each salary and target level. All AIP target awards will be paid based on salaries as of December 12, 2014.
- You must be an active employee with American Water on the date the payout is made in order to receive the award. You (or your beneficiary) may be eligible for a prorata award if you are disabled, retire, die, involuntarily terminate (not “for cause”) or a divestiture occurred on or after July 1, 2014. (Retirement under this plan is age 55 and 10 total years of employment service.)
- You are not eligible for an AIP award if:
  - you transfer from exempt status to nonexempt status during the current plan year or your job was reclassified to nonexempt status,
  - your performance rating is “Unacceptable” or “Too Soon to Rate,”
  - you have not complied with the company’s annual Code of Ethics certification by the established deadline, or
  - your employment was involuntarily terminated for cause.

Why Is the Plan Based on Individual Performance?

Since the value (as reflected in our share price and our return to shareholders) and success of our business depend on the achievement of annual company and individual performance goals, American Water recognizes the need to differentiate and reward the performance of employees who enable us to reach these goals. The 2014 AIP is designed to ensure that award payouts are directly tied to measurable contributions — both company and individual — to American Water’s success.

DETERMINING AIP AWARDS

AIP award payouts depend on individual performance; they also depend on overall corporate performance and organizational group/functional area results (which determine award pool funding).

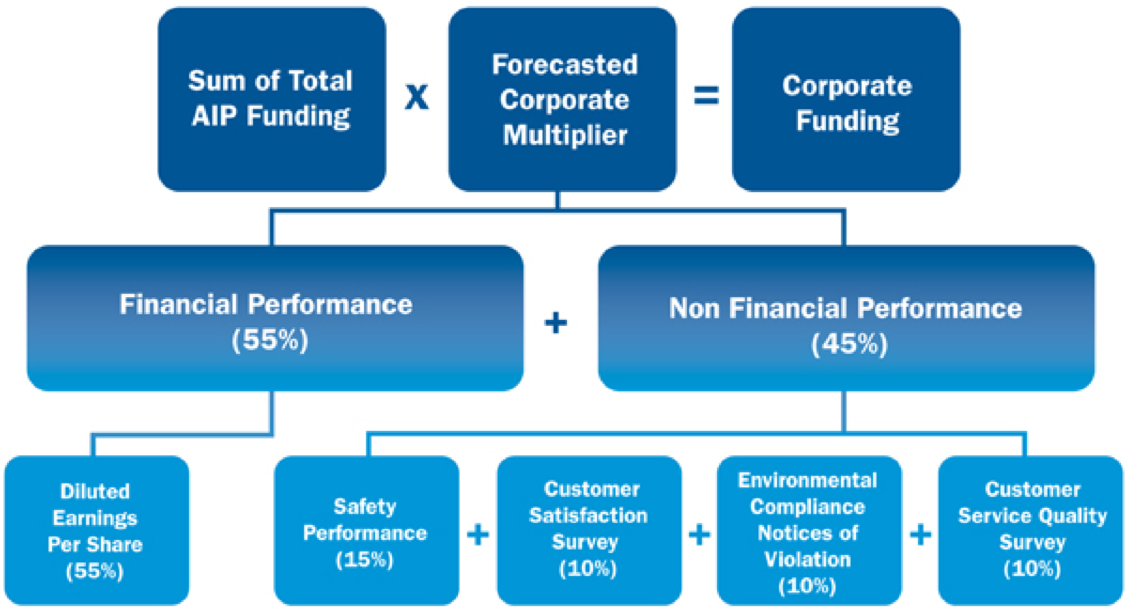
AIP awards will be determined according to the following three-step process:

- **Step 1:** Establish initial award pool based on overall corporate performance.
- **Step 2:** Allocate overall corporate funding to organizational groups/functional areas, and adjust specific organizational group/functional area funding to reflect results.
- **Step 3:** Determine AIP award based on individual performance; awards are paid from available organizational group/ functional area funding.

Step 1: Establish initial award pool based on overall corporate performance

Each year, American Water establishes funding for the AIP award pool. In 2014, the funding will be directly tied to company performance and represented by the Corporate Multiplier. The Corporate Multiplier can range from 0% to 150% depending on how well the company performed against the financial and operational goals described on the following page. Note that there is a predetermined threshold for company performance.

OVERALL CORPORATE PERFORMANCE



Step 1 (continued)

- **2014 Diluted Earnings Per Share (EPS) must be at least 94% of target** for any financial funding and award to be provided under the AIP.
- **2014 Diluted Earnings Per Share (EPS) must be at least 90% of target** for funding of any award to be provided under the AIP Non Financial Performance Factors.
- **Financial Metric (Weighted 55%)***
  - **Diluted Earnings Per Share** is a widely tracked measure of financial performance/profitability, and is calculated as follows:

Net Income to Common Stockholders ÷ **Average Outstanding Shares** (including dilutive securities such as stock options) = **Diluted Earnings per Share**

* 2014 Diluted Earnings Per Share (EPS) must be at least 94% of target for any financial funding and award to be provided under the AIP.

- **Non Financial Metric (Weighted 45%)****
  - Environmental Compliance Notices of Violation (NOVs) (10%)
  - Safety Performance (15%)
  - Customer Satisfaction Survey (10%)
  - Customer Service Quality Survey (10%)

** These outcomes are based on a combination of surveys, end-of-year results, data and other annual reports (For more details on these performance measures, see Attachment A at the back of this brochure).

Please note that AIP funding for all employees will depend on how well the company achieves its financial and non financial goals. A predetermined financial threshold for company performance must be met in order for funding and any award to be provided under the AIP. For 2014, the threshold is 90% of EPS target in order to fund any award to be provided under the AIP for non financial performance factors.

The financial and non financial metrics are added together to determine the Corporate Multiplier. So, even if certain metrics are not achieved, the funding may be reduced, but not eliminated altogether. However, if the company's financial performance does not meet the threshold, the Corporate Multiplier will be reduced to zero, which would eliminate any award payout. The Corporate Multiplier (and thus funding for payouts) may be adjusted to take into account nonrecurring items such as impairment charges, dissolutions or acquisitions of businesses or costs associated with one-time events.

Step 2: Allocate overall corporate funding, and adjust specific area funding to reflect results

Once the overall corporate funding is determined as described under Step 1, senior management will allocate the corporate funding to American Water’s organizational groups and functional areas. The funding for each organizational group/ functional area may be increased or decreased, at senior management’s discretion, to reflect specific organizational group/ functional area results.

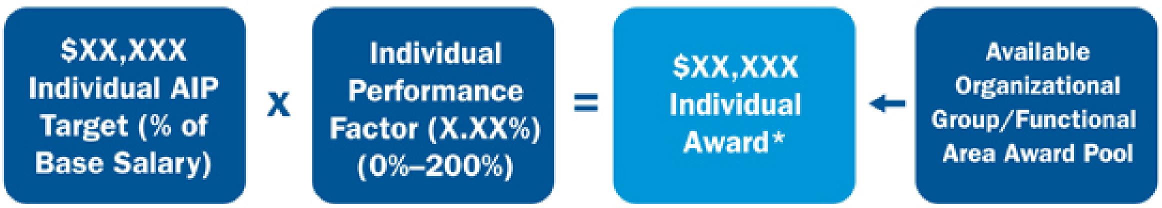
Step 3: Determine individual AIP award

Your AIP target award (i.e., your award opportunity) is based on your job with the company and is expressed as a percentage of your base salary. Your actual award payout may be higher or lower than target depending on whether individual and company performance goals have been met, and your organizational group’s/functional area’s results. Contact your manager for information on your individual AIP target award.

The Individual Performance Factor represents how well you achieve your annual individual performance goals. Your Individual Performance Factor (IPF) can range from 0% to 200%, depending on your performance for the plan year and the amount of organizational group/functional area funding available. This performance factor will then be multiplied by your Target Award to determine your 2014 AIP award payout. Individual payouts will be capped at 200% of AIP target award. Individual AIP awards are then paid from the available organizational group/functional area award funding, which may impact the original IPF determination. The sum of all individual awards within a given organizational group/functional area must not exceed its allocated pool of dollars.

INDIVIDUAL PERFORMANCE FACTOR (IPF)

Your individual performance factor is based on (a) your performance against specific targets, and (b) the amount of organizational group/functional area funding available



* The sum of individual awards for a specific organizational group/functional area must not exceed the funding allocated to that organizational group/functional area.

WHAT THE 2014 AIP MEANS FOR YOU

Performance Ratings

Most people are motivated to do their best; therefore the better you perform, the greater your potential award will be under the plan. It is your responsibility to maximize your award opportunity by achieving or exceeding your goals.

Each year, you and your manager identify four to six high priority and challenging performance targets, which represent where you can directly impact the company's success. These performance targets and their weightings should be specific, measurable and aligned with the company's performance targets. During your year end performance review, you and your manager will discuss how well you performed against the established targets, and rate your performance using one of the following performance ratings:

2014 PERFORMANCE RATING SCALE

RATING	DESCRIPTION
EXCEPTIONAL	Contributions are widely recognized as extraordinary. Results far exceed all defined expectations, producing important and substantial impact on the Company, Division, Operating Company, Line of Business or Function.
HIGHLY EFFECTIVE	Contributions are widely recognized as distinguished. Results exceed all or most expectations, producing a tangible and material impact on the Company, Division, Operating Company, Line of Business or Function.
COMMENDABLE	Contributions are widely recognized as meaningful. Results meet, and in some cases exceed expectations, producing a positive and desirable impact on the Company, Division, Operating Company, Line of Business or Function.
NEEDS IMPROVEMENT	Contributions are widely recognized as limited. Results generally meet but in some cases fall slightly short of expectations, producing inconsistent and marginal impact on the Company, Division, Operating Company, Line of Business or Function.
UNACCEPTABLE	Contributions are widely recognized as unsatisfactory. Results fall considerably short of expectations, producing negligible or no impact on the Company, Division, Operating Company, Line of Business or Function.
TOO SOON TO RATE	Contributions cannot be measured at this time because more time is needed to see a result.

Later, during the AIP process, your manager will use your rating to determine your Individual Performance Factor. Depending on how you performed during the year, you could potentially earn a higher payout — or you could earn a lower payout or no payout at all. In other words, **the AIP design gives you more power to impact the size of your award. It also means that you are accountable for meeting your performance goals.**

Award Funding Determination

Below are four scenarios that demonstrate how AIP funding may be calculated:

AIP FUNDING EXAMPLE

TOTAL AIP FUNDING*	**$20,000,000**
TOTAL AIP FUNDING FOR ORGANIZATIONAL GROUP*	**$ 2,000,000**

* The total is the sum of the target awards for the eligible employees.

	SCENARIO 1	**SCENARIO 2**	**SCENARIO 3**	**SCENARIO 4**
Financial Performance Factor	1.39	0.94	0.25	0.00
Non Financial Performance Factor	0.90	1.00	0.50	0.00
STEP 1: Establish corporate funding based on overall corporate performance				
Total of AIP Targets (A)	$20,000,000	$20,000,000	$20,000,000	$20,000,000
Financial Performance Factor (i) (55% weight)	1.39 × 0.55 = 0.76	0.94 × 0.55 = 0.52	0.25 × 0.55 = 0.14	0.00 × 0.55 = 0.00
Non Financial Performance Factor (ii) (45% weight)	0.90 × 0.45 = 0.41	1.00 × 0.45 = 0.45	0.50 × 0.45 = 0.23	0.00 × 0.45 = 0.00
i + ii = Corporate Multiplier (B)	1.17	0.97	0.37	0.00
A × B = Corporate Funding	$20,000,000 × 1.17 = **$23,400,000**	$20,000,000 × 0.97 = **$19,400,000**	$20,000,000 × 0.37 = **$7,400,000**	$20,000,000 × 0.00 = **$0**
STEP 2: Allocate overall corporate funding to organizational groups/functional areas; adjust specific organizational group/functional area funding to reflect results				
Organizational Group Pool (C) (Allocated from corporate funding)	$2,340,000	$1,940,000	$740,000	$0
Organizational Group Adjustment (D)	1.00 (Target)	.80 (Below Target)	1.20 (Above Target)	1.00 (Target)
C × D = Organizational Group Pool (adjusted based on results)	$2,340,000 × 1.00 = **$2,340,000**	$1,940,000 × 0.80 = **$1,552,000**	$740,000 × 1.20 = **$888,000**	$0 × 1.00 = **$0**

Both company and individual performance can significantly impact your final payout. Also, remember that the sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.

Please discuss the AIP with your manager to ensure you clearly understand how the formula works and how your performance impacts your potential award payout.

Receiving Your AIP Award

Awards will be paid in cash no later than March 14, 2015. If you are eligible for an award payout, please keep in mind that:

- You must be actively employed with the company on the date of payout.
- The payout will be based on your annual base salary as of December 12, 2014 and subject to all federal, state and local income tax withholdings.
- The American Water Board of Directors or its Designee has the right to adjust the award determination(s) and/or award payouts(s) at its discretion.

Remember, it’s your performance — and your award: The contributions you make to American Water’s success throughout the year ultimately impact the amount of your payout. Be sure to carefully review this brochure; then speak with your manager about the AIP and about what you can do to improve your performance and share the financial rewards of American Water’s success.

FREQUENTLY ASKED QUESTIONS

How does the plan reward performance?

The AIP allows us to differentiate and reward the performance of employees who contribute to the achievement of the company's goals. The 2014 AIP directly ties award payouts to measurable contributions (company, organizational group/ functional area and individual) to American Water's success.

Who is eligible for the AIP?

All regular, full-time exempt employees are eligible to participate. If you join American Water on or before September 30, 2014, you are also eligible to participate in the plan on a prorated basis.

What do I have to do to receive an AIP award?

Any payout will depend largely on your performance, as well as on company, organizational group/functional area performance (including both financial and non financial), which determines funding.

If your performance is rated "Needs Improvement" or higher, you may receive an award payout — but only if threshold company performance metrics have been met. If your performance rating is "Unacceptable" or "Too Soon to Rate," you will not receive a payout. To maximize your award opportunity, it's important to meet with your manager to establish meaningful performance goals, and then work hard throughout the year to achieve those goals.

How is my AIP target award opportunity determined? How can I find out what it is?

Your AIP target award opportunity is based on your job and is expressed as a percentage of your base salary. Please see your manager to learn more about your target award opportunity for 2014.

How will my AIP award payout be calculated?

The size of the pool which funds your award is determined based on overall corporate performance and adjusted to reflect specific organizational group/functional area results. AIP funding for all eligible employees will depend on the company and/or organizational group/functional area achieving its non financial operational goals as well as financial goals. Once individual awards are calculated, they are paid from the organizational group/functional area funding.

What is the minimum and maximum that could be paid under the plan (as a percent of target)?

AIP award payouts can range from zero, to a maximum of an Individual Performance Factor of 200%. Payouts are capped at 200% of AIP target award.

Will I receive an award payout if I meet my individual performance goals but the company does not achieve minimum (threshold) performance?

No. A pre-determined financial threshold for company performance must be met in order for funding and any award to be provided under the AIP.

What happens if I leave American Water before I receive my award payout?

To receive the award payout, you must be actively employed with American Water on the date the payment is to be made. You (or your beneficiary) may be eligible for a prorata award if you are disabled, retire, die, involuntarily terminate (not "for cause") or a divestiture occurred on or after July 1, 2014. (Retirement under this plan is age 55 and 10 total years of employment service.) Employees involuntarily terminated for cause would not be eligible.

What happens if I change job positions or I receive a merit increase within American Water during the plan year?

In either scenario, your award payout will be based on your base salary and target level percentage as of December 12, 2014.

ATTACHMENT A

2014 AIP FINANCIAL PAYOUT CURVE

Diluted Earnings Per Share (55%)

% TARGET	ACHIEVED % PAYOUT
103.0%	150.0%
102.4%	140.0%
101.8%	130.0%
101.2%	120.0%
100.6%	110.0%
100.0%	100.0%
98.8%	85.0%
97.6%	70.0%
96.4%	55.0%
95.2%	40.0%
94.0%	25.0%
<94.0%	0.0%

2014 AIP OPERATIONAL MEASURES
NON FINANCIAL PERFORMANCE (45%)

Environmental Compliance (10%)

For determining environmental compliance, American Water will count Notices of Violation (NOVs) for which the company is responsible as described in the Environmental Non-Compliance Reporting Practice. For 2014, American Water's NOV target is 13.

NOVs	AWARD
7	150.0%
9	137.5%
11	125.0%
12	112.5%
13	100.0%
14	87.5%
15	75.0%
16	62.5%
17	50.0%
>17	0.0%

Safety Performance (15%)

Safety performance will be determined using the OSHA Recordable Incident Rate (ORIR), which measures injuries and illnesses requiring treatment beyond first aid per 200,000 hours worked. For 2014, the goal has been set at a rate less than 2.75 with the Regulated Operations at a rate less than 2.86 and the Market Based goal at a rate of less than 2.05. These goals will be evaluated against the graduated award scale below and discretion of management.

ORIR	AWARD
2.55	150.0%
2.60	137.5%
2.65	125.0%
2.75	112.5%
< 2.75	100.0%
2.85	87.5%
2.95	75.0%
3.05	62.5%
3.15	50.0%
>3.15	0.0%

Service Quality (10%)

This metric is measured by the Service Quality Survey (SQS) which is conducted throughout the year for customers requesting service resulting in completion of a service order by a Field Service Representative (FSR). The score is based on the survey question “Overall, how satisfied were you with the outcome of your service contact?” which has a five-point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied). The American Water target for 2014 is 85% extremely or very satisfied customers, and the graduated award scale is provided below.

SQS %	AWARD
90	150%
89	140%
88	130%
87	120%
86	110%
85	100%
84	90%
83	80%
82	70%
81	60%
80	50%
< 80	0%

Customer Satisfaction (10%)

This metric measures overall customer satisfaction through a random customer survey containing the question “Overall, how satisfied have you been with (Company Name) in general during the past twelve months?”, which has a five-point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied). Response percentages in the top three categories are indicative of overall customer satisfaction levels and a 90% target has been set for 2014.

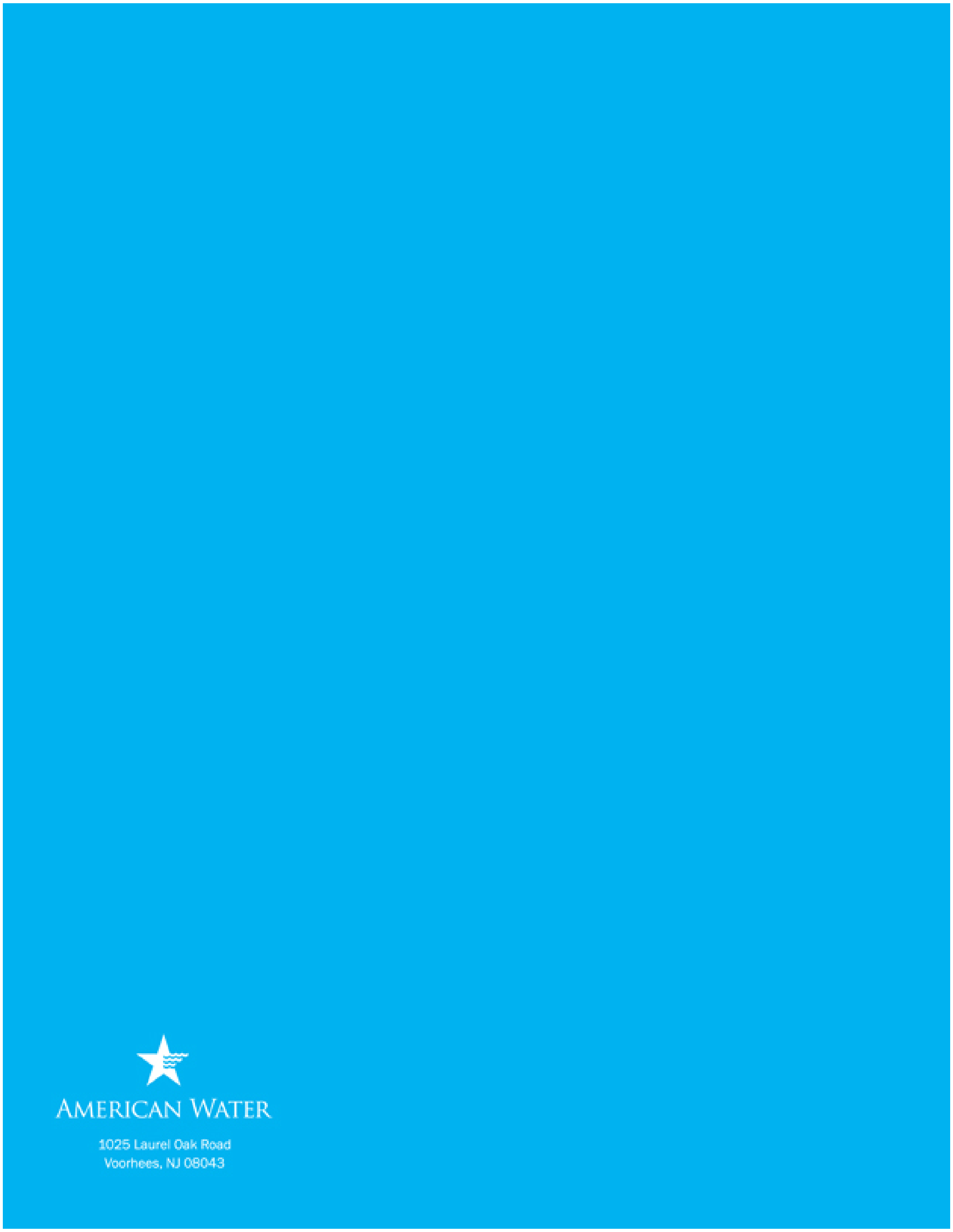
CSS%	AWARD
95	150%
94	140%
93	130%
92	120%
91	110%
90	100%
89	90%
88	80%
87	70%
86	60%
85	50%
<85	0%

ATTACHMENT B

2014 ANNUAL INCENTIVE PLAN TARGETS

Exempt Positions

GRADE	AIP%
ML4	30%
L5–L6	20%
L7	15%
L8–L9	10%
L10–L12	5%


AMERICAN WATER

1025 Laurel Oak Road
Voorhees, NJ 08043

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Section 3: EX-10 (EXHIBIT 10.2)

Exhibit 10.2

AMERICAN WATER

Kellye L. Walker
Chief Administrative Officer,
General Counsel and Secretary
1025 Laurel Oak Road
Voorhees, NJ 08043

P 856.346.8200
F 856.346.5817

March 7, 2014

Via e-mail and Overnight Delivery
Ms. Linda Sullivan
33111 Canyon Quail Trail
Agua Dulce, CA 91390

Dear Ms. Sullivan:

On behalf of American Water, I am pleased to extend our offer of employment to you for the position of Senior Vice President and Chief Financial Officer of American Water. Your expected first day of employment will be on or about May 1, 2014. We anticipate that you will find this new role to be personally rewarding and one in which you can make significant contributions to the Company. The following represents our offer to you:

Base Salary

You will be paid bi-weekly at the rate of $17,692.30 and when annualized would be approximately $460,000. The salary grade for your position will be ML2.

2014 Annual Incentive Plan (AlP) Eligibility

You will be eligible to participate in the Company's Annual Incentive Plan with a target bonus award payout of 75% of your annual base salary. Any amount awarded to you as a participant under the Annual Incentive Plan will be determined in accordance with the terms of that plan. Actual payout of the Annual Incentive Plan bonus is discretionary and based on factors including company performance and individual performance objectives. For 2014, you will be eligible for a full-year AIP payout based on your target level and the above noted factors.

2014 Long Term Incentive Plan (LTIP) Eligibility

You will be eligible for a full equity award under the Company's Long Term Incentive Plan at a target payout of 125% of your annual base salary, beginning in 2014, as approved by the Compensation Committee of the American Water Board of Directors. The 2014 award will be granted and priced as of your start date.

Additiona1 2014 LTIP Equity Grant

You are entitled to receive additional equity of $500,000 which will be granted on your start date. This grant will be 70% Performance Share Units based on Total Stockholder Return and American Water internal metrics and 30% Restricted Stock Units.

Benefits

American Water offers a comprehensive benefits package, the provisions of which will begin on the first of the month after one full calendar month of employment including medical insurance, dental insurance, life insurance, and short- and long-term disability insurance.

You will be eligible to participate in the Company's Savings and Investment Program (401k). You can roll over other qualified savings and investment retirement programs into the American Water plan. You will also be eligible to participate in the Non-Qualified Savings and Deferred Compensation Program and our Executive Physical Program in accordance with the terms of the plan details. Please refer to the enclosed 2014 Executive Benefits at a Glance documents for benefit details.

Vacation/Holidays

You will be eligible for 20 vacation days in 2014. In addition, you will be eligible for six (6) floating holidays in a calendar year.

Relocation

You will be eligible for the Gold package for the relocation benefits under American Water's relocation policy according to the parameters of our policy and eligibility criteria as set forth by the IRS. The policy states that if an employee resigns within 12 months of the date of his/her relocation, they are required to reimburse 100% of the relocation expenses to the Company. The management of your relocation will be handled by NEI Global Relocation.

Executive Severance Policy

You will be an eligible participant under the executive severance policy which provides severance benefits to executives whose employment is involuntarily terminated by American Water for reasons other than cause. Under the policy, you will receive salary continuation benefits in the form of 12 months of your base salary, plus a prorated annual incentive payment. A copy of the Executive Severance Policy will be available to you at your request.

We are looking forward to a favorable decision from you and you joining the American Water team. Please signify your acceptance of this offer of employment by signing this letter and returning it to me by email or by facsimile.

Sincerely,

/s/ Kellye L. Walker
Kellye L. Walker

Enclosures

This offer of employment extended by American Water is contingent upon successful completion of a drug screen, applicable background checks, verification of authorization to work and all information supplied on the resume and other information supplied by you, and the absence of any Non-Compete or Non-Solicitation Agreement with a prior employer.

I, Linda Sullivan, understand that my employment will be "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

/s/ Linda Sullivan	3/10/14
Signature: Linda Sullivan	Date

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Section 4: EX-10 (EXHIBIT 10.3)

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 20, 2014 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to ________________ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2014 LTIP to the Participant shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant ________________ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Date	Units Vesting
January 1, 2015	1/3
January 1, 2016	1/3
January 1, 2017	1/3

(b) If at any time prior to the last Service Date the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to the last Service Date, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, then all of the unvested Restricted Stock Units shall become vested on the date of the Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under Code section 409A, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

(d) The date on which all or any portion of the Restricted Stock Unit becomes vested as described in this Paragraph 3 shall hereinafter be referred to as the "Vesting Date".

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units shall be redeemed by the Company on the applicable Vesting Date or as soon as administratively practicable thereafter, but not later than forty-five (45) days following the Vesting Date, (the "Redemption Date"). On the Redemption Date (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single sum distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable

law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 5: EX-10 (EXHIBIT 10.3A)

Exhibit 10.3A

AMENDMENT TO
AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This AMENDMENT TO RESTRICTED STOCK UNIT GRANT (the "Amendment"), dated as of April 28, 2014 (the "Date of Amendment"), is delivered by American Water Works Company, Inc. (the "Company") to _______________________ (the "Participant") to amend that certain RESTRICTED STOCK UNIT GRANT.

RECITALS

WHEREAS, the Company has previously awarded the Participant a Restricted Stock Unit Grant dated February 20, 2014 (the "Grant Agreement"), governed by the terms of the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan");

WHEREAS, the Committee has determined to amend the Grant Agreement to cause the Participant to become vested upon the attainment of certain age and service conditions;

NOW, THEREFORE, the parties to this Amendment, intending to be legally bound hereby, agree as follows:

1. Vesting Upon Retirement. Notwithstanding any provision of the Grant Agreement to the contrary, if, on or after the first Vesting Date, the Participant's employment or service with the Employer terminates (for any reason other than for Cause) after the Participant's attainment of age 62 and completion of five (5) total years of service with the Employer, the Restricted Stock Units shall vest immediately as of the date of termination. For purposes of this Amendment, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

2. Redemption. The Restricted Stock Units shall be redeemed by the Company as otherwise provided by the Grant Agreement. The redemption of Restricted Stock Units or distribution of any related amounts shall not be affected or accelerated as a result of this Amendment.

3. No Other Changes to Grant Agreement. The terms otherwise set forth under the Grant Agreement shall not be modified by this Amendment except as expressly amended above.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Amendment, effective as of the Date of Amendment.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 6: EX-10 (EXHIBIT 10.4)

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 20, 2014, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to ________________ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant ________________ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the performance goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the companies in the Peer Group (as defined below) over the Performance Period. The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	Percentile Ranking Relative to Peer Group	Percentage of Target Award Earned
Maximum	75%	175%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2013, and December 31, 2016, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. To determine stock price performance, a dividend adjustment factor will be determined. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted price shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period, the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three-year period beginning on January 1, 2014 and ending December 31, 2016, and the term "Peer Group" shall mean those companies that comprise the Dow Jones U.S. Utilities Index as of January 1, 2014. If a company in the Peer Group ceases to be a member of the Dow Jones U.S. Utilities Index at any time during the Performance Period, such company shall no longer be a company in the Peer Group.

4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. The prorated portion will be determined as the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2015, but prior to January 1, 2016; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2016, but prior to January 1, 2017; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2017. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2015 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goal. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (i) January 1, 2017 (the "Distribution Date"), or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2014 LTIP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. The Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the

Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 7: EX-10 (EXHIBIT 10.4A)

Exhibit 10.4A

AMENDMENT TO
AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This AMENDMENT TO PERFORMANCE STOCK UNIT GRANT (the "Amendment"), dated as of April 28, 2014 (the "Date of Amendment"), is delivered by American Water Works Company, Inc. (the "Company") to ________________________ (the "Participant") to amend that certain PERFORMANCE STOCK UNIT GRANT.

RECITALS

WHEREAS, the Company has previously awarded the Participant a Performance Stock Unit Grant dated February 20, 2014 that may be earned based on the performance goal relating to the Company's Total Stockholder Return (the "Grant Agreement"), governed by the terms of the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan");

WHEREAS, the Committee has determined to amend the Grant Agreement to cause the Participant to become vested upon the attainment of certain age and service conditions;

NOW, THEREFORE, the parties to this Amendment, intending to be legally bound hereby, agree as follows:

1. Vesting Upon Retirement. Notwithstanding any provision of the Grant Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by or provide service to the Employer (for any reason other than for Cause) after the Participant's attainment of age 62 and completion of five (5) total years of service with the Employer, the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period.

2. No Other Changes to Grant Agreement. The terms otherwise set forth under the Grant Agreement shall not be modified by this Amendment except as expressly amended above.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Amendment, effective as of the Date of Amendment.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 8: EX-10 (EXHIBIT 10.5)

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 20, 2014, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to ________________ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share growth and operational efficiency improvement, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant ________________ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals (as defined below) and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

2. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three-year period beginning on January 1, 2014 and ending December 31, 2016.

3. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The prorated portion will be determined as the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2015, but prior to January 1, 2016; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2016, but prior to January 1, 2017; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2017. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2015 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (i) January 1, 2017 (the "Distribution Date"), or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

5. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2014 LTIP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the

Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 9: EX-10 (EXHIBIT 10.5A)

Exhibit 10.5A

AMENDMENT TO
AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This AMENDMENT TO PERFORMANCE STOCK UNIT GRANT (the "Amendment"), dated as of April 28, 2014 (the "Date of Amendment"), is delivered by American Water Works Company, Inc. (the "Company") to ______________________ (the "Participant") to amend that certain PERFORMANCE STOCK UNIT GRANT.

RECITALS

WHEREAS, the Company has previously awarded the Participant a Performance Stock Unit Grant dated February 20, 2014 that may be earned based on performance goals relating to compounded earnings per share growth and operational efficiency improvement (the "Grant Agreement"), governed by the terms of the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan");

WHEREAS, the Committee has determined to amend the Grant Agreement to cause the Participant to become vested upon the attainment of certain age and service conditions;

NOW, THEREFORE, the parties to this Amendment, intending to be legally bound hereby, agree as follows:

1. Vesting Upon Retirement. Notwithstanding any provision of the Grant Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer (for any reason other than for Cause) after the Participant's attainment of age 62 and completion of five (5) total years of service with the Employer, the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period.

2. No Other Changes to Grant Agreement. The terms otherwise set forth under the Grant Agreement shall not be modified by this Amendment except as expressly amended above.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Amendment, effective as of the Date of Amendment.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 10: EX-10 (EXHIBIT 10.6)

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT

This STOCK OPTION GRANT, dated as of February 20, 2014, (the "Date of Grant") is delivered by American Water Works Company, Inc. (the "Company") to ________________ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the nonqualified stock option portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of such nonqualified stock option shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the "Option") to purchase ________________ shares of Company Stock, at an exercise price of $44.06 per share of Company Stock.

2. Exercisability of Option.

(a) Except as provided in subparagraphs (b) or (c) below, the Option shall become exercisable on the following dates, if the Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable date:

Date	Shares for Which the Option is Exercisable
January 1, 2015	1/3
January 1, 2016	1/3
January 1, 2017	1/3

The exercisability of the Option is cumulative, but shall not exceed 100% of the shares of Company Stock subject to the Option. If the foregoing schedule would produce fractional shares of Company Stock, the number of shares of Company Stock for which the Option becomes exercisable shall be rounded down to the nearest whole share of Company Stock. The Option shall become fully exercisable on January 1, 2017, if the Participant is employed by, or providing service to, the Employer on such date.

(b) If at any time prior to the date the Participant's Option becomes exercisable as described in subparagraph (a) above, the Participant's employment or service with the Employer is terminated on account of death or Total Disability (as defined below), the Option shall become fully exercisable on the date of the Participant's termination of employment or service with the Employer on account of death or Total Disability. For purposes of this Grant, the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration.

(c) If a Change of Control occurs while the Participant is employed by or providing service to the Employer, then the Option shall become fully exercisable as of the date of the Change of Control. For purposes of this Grant, the term “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and its corresponding regulations.

3. Term of Option.

(a) The Option shall have a term from the Date of Grant through December 31, 2020, and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Grant or the Plan.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) If the Participant’s employment or service with the Employer terminates on account of death or Total Disability, the expiration of the one year period following the date of the Participant’s termination of employment or service on account of death or Total Disability.

(ii) If the Participant’s employment or service with the Employer terminates on account of Normal Retirement (as defined below), the expiration of the one year period following the date of the Participant’s termination of employment or service on account of Normal Retirement. For purposes of this Grant, the term “Normal Retirement” shall mean, at the time of the Participant’s termination of employment or service with the Employer, that the Participant has attained both (A) at least age 55, and (B) total years of employment and service with the Employer equals or exceeds 10.

(iii) If the Participant’s employment or service with the Employer terminates for any reason other than on account of Cause (as defined below), Normal Retirement, death or Total Disability, the expiration of the ninety (90) day period following the date of the Participant’s termination of employment or service for any reason other than on account of termination for Cause, death, Total Disability or Normal Retirement.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Paragraph 3, if the Participant engages in conduct that constitutes Cause after the Participant’s employment or service terminates, the Option shall immediately terminate. For purposes of this Grant, the term “Cause” shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

Notwithstanding the foregoing, in no event may the Option be exercised after December 31, 2020. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

4. Exercise Procedures.

(a) Subject to the provisions of Paragraphs 2 and 3 above, the Participant may exercise part or all of the exercisable portion of the Option by giving the Company written notice of intent to exercise in the manner provided in this Grant, specifying the number of shares of Company Stock as to which the Option is to be exercised and the method of payment. Payment of the exercise price, together with any applicable tax withholding, shall be made in accordance with procedures established by the Committee from time to time based on the type of payment being made but, in any event, prior to issuance of the shares of Company Stock. The Participant shall pay the exercise price (i) in cash; (ii) with the approval of the Committee, by delivering shares of Company Stock, which shall be valued at their fair market value on the date of delivery, or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a fair market value on the date of exercise, equal to the exercise price; (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The Participant may not exercise the Option unless the exercise of the Option and the issuance of shares of Company Stock complies with all applicable laws, rules, and regulations. The obligation of the Company to deliver shares of Company Stock upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company shall be relieved of any liability with respect to any delayed issuance of shares of Company Stock or its failure to issue shares of Company Stock if such delay or failure is necessary to comply with applicable laws. The Company may require that the Participant (or other person exercising the Option after the Participant's death) represent that the Participant is purchasing the shares of Company Stock for the Participant's own account and not with a view to, or for sale in connection with, any distribution of the shares of Company Stock, or such other representations as the Committee deems appropriate.

(c) All obligations of the Company under this Grant shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable.

5. Change of Control. Except as set above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

6. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

7. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. The Grant and exercise of the Option are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and the Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all decisions and determinations of the Committee with respect to the Grant and the Plan shall be final and binding on the Participant and the Participant's beneficiaries and any other person claiming an interest under this Grant and the Plan on behalf of the Participant.

8. Restrictions on Sale or Transfer of Shares.

(a) The Participant agrees that he or she shall not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber the shares of Company Stock underlying the Option unless the shares of Company Stock are registered under the Securities Act of 1933, as amended (the "Securities Act") or the Company is given an opinion of counsel reasonably acceptable to the Company that such registration is not required under the Securities Act.

(b) As a condition to receive any shares of Company Stock upon the exercise of the Option, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that the shares of Company Stock obtained by the Participant upon the exercise of the Option shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

9. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

10. No Employment or Other Rights. This Grant shall not confer upon the Participant any right to be retained by or in the employ or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

11. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the shares of Company Stock subject to the Option, until certificates for shares of Company Stock have been issued upon the exercise of the Option.

12. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Grant may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Grant, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

13. Effect on Other Benefits. The value of shares of Company Stock received upon exercise of the Option shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

14. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

15. Taxation; Code Section 409A. The Plan and this Grant are intended to comply with the requirements of Code section 409A, to the extent applicable. This award shall be construed and administered such that the award either (i) qualifies for an exemption from the requirements of Code section 409A or (ii) satisfies the requirements of Code section 409A. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

16. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 11: EX-10 (EXHIBIT 10.6A)

Exhibit 10.6A

AMENDMENT TO
AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT

This AMENDMENT TO NONQUALIFIED STOCK OPTION GRANT (the "Amendment"), dated as of April 28, 2014 (the "Date of Amendment"), is delivered by American Water Works Company, Inc. (the "Company") to ______________________ (the "Participant") to amend that certain NONQUALIFIED STOCK OPTION GRANT.

RECITALS

WHEREAS, the Company has previously awarded the Participant a Nonqualified Stock Option Grant dated February 20, 2014 (the "Grant Agreement"), governed by the terms of the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan");

WHEREAS, the Committee has determined to amend the Grant Agreement to cause the Participant to become vested upon the attainment of certain age and service conditions;

NOW, THEREFORE, the parties to this Amendment, intending to be legally bound hereby, agree as follows:

1. Exercisability of Option Upon Retirement. Notwithstanding any provision of the Grant Agreement to the contrary, if, on or after the first vesting date specified in Section 2(a), the Participant's employment or service with the Employer terminates (for any reason other than for Cause) after the Participant's attainment of age 62 and completion of at least five (5) total years of employment or service with the Employer, the Option shall become fully exercisable as of the date of termination.

2. Term of Option. If the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), the expiration of the one year period following the date of the Participant's termination of employment or service on account of Normal Retirement. For purposes of this Grant, the term "Normal Retirement" shall mean, at the time of the Participant's termination of employment or service with the Employer, that the Participant has attained either (A) both (i) at least age 55 and (ii) at least 10 total years of employment or service with the Employer, or (B) both (i) at least age 62, and (ii) at least five (5) total years of employment or service with the Employer.

3. No Other Changes to Grant Agreement. The terms otherwise set forth under the Grant Agreement shall not be modified by this Amendment except as expressly amended above.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Amendment, effective as of the Date of Amendment.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry E. Sterba

Its: President and CEO

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Section 12: EX-10 (EXHIBIT 10.7)

Exhibit 10.7

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 20, 2014 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Jeffry E. Sterba (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2014 LTIP to the Participant shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant ______units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following date (the "Service Date"), provided the Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Date	Units Vesting
January 1, 2015	100%

(b) If at any time prior to the Service Date, the Participant's employment or service with the Employer is terminated by the Participant for Good Reason, by the Employer without Cause, or on account of death or Total Disability (each as defined below), then all of the unvested Restricted Stock Units will immediately vest and the Participant will earn all of the Restricted Stock Units that would have been earned if the Participant had remained employed through the Service Date. For purposes of this Grant, the term "Good Reason" shall mean have the meaning that is provided in the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, and the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration.

(c) If at any time prior to the Service Date, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, then all of the unvested Restricted Stock Units shall become vested on the date of the Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under Code section 409A, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

(d) The date on which all or any portion of the Restricted Stock Unit becomes vested as described in this Paragraph 3 shall hereinafter be referred to as the "Vesting Date".

(e) If at any time prior to the Vesting Date, the Participant's employment or service with the Employer is terminated on account of Cause, all of the Restricted Stock Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Units. For purposes of this Grant, the term "Cause" shall mean a finding by the Company, as determined in accordance with the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, that the Participant (A) has breached his employment or service contract with the Company; (B) has been convicted of, or pleaded guilty or nolo contender to a charge of, fraud, embezzlement, theft, or other felony; (C) except as required by order of a court of competent jurisdiction, has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; or (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Company.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units shall be redeemed by the Company on the applicable Vesting Date or as soon as administratively practicable thereafter, but not later than forty-five (45) days following the Vesting Date, (the "Redemption Date"). On the Redemption Date (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single sum distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: George MacKenzie

Its: Chairman of the Board of Directors

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Section 13: EX-10 (EXHIBIT 10.8)

Exhibit 10.8

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT

This STOCK OPTION GRANT, dated as of February 20, 2014, (the "Date of Grant") is delivered by American Water Works Company, Inc. (the "Company") to Jeffry E. Sterba (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the nonqualified stock option portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of such nonqualified stock option shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the "Option") to purchase ______ shares of Company Stock, at an exercise price of $44.06 per share of Company Stock.

2. Exercisability of Option.

(a) Except as provided in subparagraphs (b) or (c) below, the Option shall become exercisable on the following dates, if the Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable date:

Date	Shares for Which the Option is Exercisable
January 1, 2015	100%

The exercisability of the Option is cumulative, but shall not exceed 100% of the shares of Company Stock subject to the Option. If the foregoing schedule would produce fractional shares of Company Stock, the number of shares of Company Stock for which the Option becomes exercisable shall be rounded down to the nearest whole share of Company Stock. The Option shall become fully exercisable on January 1, 2015, if the Participant is employed by, or providing service to, the Employer on such date.

(b) If at any time prior to the date the Participant's Option becomes exercisable as described in subparagraph (a) above, the Participant's employment or service with the Employer is terminated by the Participant for Good Reason, by the Company without Cause, or on account of death or Total Disability (each as defined below), the Option shall become fully exercisable on the date of the Participant's termination of employment or service with the Employer. For purposes of this Grant, the term "Good Reason" shall mean have the meaning that is provided in the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, and the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration.

(c) If a Change of Control occurs while the Participant is employed by or providing service to the Employer, then the Option shall become fully exercisable as of the date of the Change of Control. For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

3. Term of Option.

(a) The Option shall have a term from the Date of Grant through December 31, 2020, and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Grant or the Plan.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) If the Participant's employment or service with the Employer terminates for any reason other than on account of Cause (as defined below), the expiration of the two (2)- year period following the date of the Participant's termination of employment or service for any reason other than on account of termination for Cause.

(ii) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Paragraph 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate. For purposes of this Grant, the term "Cause" shall mean a finding by the Company, as determined in accordance with the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, that the Participant (A) has breached his employment or service contract with the Company; (B) has been convicted of, or pleaded guilty or nolo contendere to a charge of, fraud, embezzlement, theft, or other felony; (C) except as required by order of a court of competent jurisdiction, has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; or (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Company.

Notwithstanding the foregoing, in no event may the Option be exercised after December 31, 2020. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

4. Exercise Procedures.

(a) Subject to the provisions of Paragraphs 2 and 3 above, the Participant may exercise part or all of the exercisable portion of the Option by giving the Company written notice of intent to exercise in the manner provided in this Grant, specifying the number of shares of Company Stock as to which the Option is to be exercised and the method of payment. Payment of the exercise price, together with any applicable tax withholding, shall be made in accordance with procedures established by the Committee from time to time based on the type of payment being made but, in any event, prior to issuance of the shares of Company Stock. The Participant shall pay the exercise price (i) in cash; (ii) with the approval of the Committee, by delivering shares of Company Stock, which shall be valued at their fair market value on the date of delivery, or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a fair market value on the date of exercise, equal to the exercise price; (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The Participant may not exercise the Option unless the exercise of the Option and the issuance of shares of Company Stock complies with all applicable laws, rules, and regulations. The obligation of the Company to deliver shares of Company Stock upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company shall be relieved of any liability with respect to any delayed issuance of shares of Company Stock or its failure to issue shares of Company Stock if such delay or failure is necessary to comply with applicable laws. The Company may require that the Participant (or other person exercising the Option after the Participant's death) represent that the Participant is purchasing the shares of Company Stock for the Participant's own account and not with a view to, or for sale in connection with, any distribution of the shares of Company Stock, or such other representations as the Committee deems appropriate.

(c) All obligations of the Company under this Grant shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable.

5. Change of Control. Except as set above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

6. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

7. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. The Grant and exercise of the Option are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and the Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all decisions and determinations of the Committee with respect to the Grant and the Plan shall be final and binding on the Participant and the Participant's beneficiaries and any other person claiming an interest under this Grant and the Plan on behalf of the Participant.

8. Restrictions on Sale or Transfer of Shares.

(a) The Participant agrees that he or she shall not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber the shares of Company Stock underlying the Option unless the shares of Company Stock are registered under the Securities Act of 1933, as amended (the "Securities Act") or the Company is given an opinion of counsel reasonably acceptable to the Company that such registration is not required under the Securities Act.

(b) As a condition to receive any shares of Company Stock upon the exercise of the Option, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that the shares of Company Stock obtained by the Participant upon the exercise of the Option shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

9. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

10. No Employment or Other Rights. This Grant shall not confer upon the Participant any right to be retained by or in the employ or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

11. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the shares of Company Stock subject to the Option, until certificates for shares of Company Stock have been issued upon the exercise of the Option.

12. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Grant may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Grant, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

13. Effect on Other Benefits. The value of shares of Company Stock received upon exercise of the Option shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

14. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

15. Taxation; Code Section 409A. The Plan and this Grant are intended to comply with the requirements of Code section 409A, to the extent applicable. This award shall be construed and administered such that the award either (i) qualifies for an exemption from the requirements of Code section 409A or (ii) satisfies the requirements of Code section 409A. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

16. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: George MacKenzie

Its: Chairman of the Board of Directors

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Section 14: EX-10 (EXHIBIT 10.9)

Exhibit 10.9

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 20, 2014, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Jeffry E. Sterba (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the performance goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the companies in the Peer Group (as defined below) over the Performance Period. The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	Percentile Ranking Relative to Peer Group	Percentage of Target Award Earned
Maximum	75%	175%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2013, and December 31, 2016, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. To determine stock price performance, a dividend adjustment factor will be determined. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted price shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period, the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three-year period beginning on January 1, 2014 and ending December 31, 2016, and the term "Peer Group" shall mean those companies that comprise the Dow Jones U.S. Utilities Index as of January 1, 2014. If a company in the Peer Group ceases to be a member of the Dow Jones U.S. Utilities Index at any time during the Performance Period, such company shall no longer be a company in the Peer Group.

4.Termination of Employment or Service.

(a) If the Participant's employment or service with the Employer is terminated prior to January 1, 2015 by the Participant for Good Reason, by the Company without Cause, or on account of death or Total Disability (each as defined below), the Participant will earn all of the Performance Units that would have been earned if the Participant had remained employed through January 1, 2015 if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. For purposes of this Grant, the term "Good Reason" shall mean have the meaning that is provided in the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, and the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration. Any Performance Units that are earned pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If the Participant continues to be employed by, or providing service to, the Employer from the Date of Grant through January 1, 2015 or a Change of Control, or if the Participant's employment or service with the Employer is terminated prior to January 1, 2015 by the Company without Cause, by the Participant for Good Reason, or on account of death or Total Disability, the Participant will earn all of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant's employment or service with the Employer is terminated prior to January 1, 2015 by the Company without Cause, by the Participant for Good Reason, or on account of death or Total Disability, the Participant will earn all of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. Any Performance Units that are earned pursuant to this Paragraph 4(b) will be distributed in accordance with Paragraph 5.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goal. For purposes of this Grant, the term "Cause" shall mean a finding by the Company, as determined in accordance with the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, that the Participant (A) has breached his employment or service contract with the Company; (B) has been convicted of, or pleaded guilty or nolo contender to a charge of, fraud, embezzlement, theft, or other felony; (C) except as required by order of a court of competent jurisdiction, has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; or (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Company.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (i) January 1, 2017 (the "Distribution Date"), or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2014 LTIP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. The Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be

deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: George MacKenzie

G. MacKenzie

Its: Chairman of the Board of Directors

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Section 15: EX-10 (EXHIBIT 10.10)

Exhibit 10.10

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 20, 2014, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Jeffry E. Sterba (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2014 Long Term Incentive Plan ("2014 LTIP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants, a nonqualified stock option, a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2014 LTIP and to grant the Participant an Equity Award under the 2014 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2014 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan"), and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share growth and operational efficiency improvement, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant ____________ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals (as defined below) and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three-year period beginning on January 1, 2014 and ending December 31, 2016.

4. Termination of Employment or Service.

(a) If the Participant’s employment or service with the Employer is terminated prior to January 1, 2015 by the Participant for Good Reason, by the Company without Cause, or on account of death or Total Disability (each as defined below), the Participant will earn all of the Performance Units that would have been earned if the Participant had remained employed through January 1, 2015 if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. For purposes of this Grant, the term “Good Reason” shall mean have the meaning that is provided in the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, and the term “Total Disability” shall mean that the Participant has been determined to be totally disabled by the Social Security Administration. Any Performance Units that are earned pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If the Participant continues to be employed by, or providing service to, the Employer from the Date of Grant through January 1, 2015 or a Change of Control, or if the Participant’s employment or service with the Employer is terminated prior to January 1, 2015 by the Company without Cause, by the Participant for Good Reason, or on account of death or Total Disability, the Participant will earn all of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant’s employment or service with the Employer is terminated prior to January 1, 2015 by the Company without Cause, by the Participant for Good Reason, or on account of death or Total Disability, the Participant will earn all of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. Any Performance Units that are earned pursuant to this Paragraph 4(b) will be distributed in accordance with Paragraph 5.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant’s employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term “Cause” shall mean a finding by the Company, as determined in accordance with the Amended Employment Letter Agreement between the Participant and the Company that is dated March 26, 2012, that the Participant (A) has breached his employment or service contract with the Company; (B) has been convicted of, or pleaded guilty or nolo contender to a charge of, fraud, embezzlement, theft, or other felony; (C) except as required by order of a court of competent jurisdiction, has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; or (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Company.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (i) January 1, 2017 (the “Distribution Date”), or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2014 LTIP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Performance Units credited to the Participant’s Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock.

At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code Section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Stock Retention Program for Executives and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (A) to be bound by the terms of the Plan and this Grant, (B) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (C) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: George MacKenzie

Its: Chairman of the Board of Directors

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Section 16: EX-31 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Jeffry Sterba, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2014

By: /s/ JEFFRY STERBA
Jeffry Sterba
President and Chief Executive Officer
(Principal Executive Officer)

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Section 17: EX-31 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Susan N. Story, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2014

By: /s/ SUSAN N. STORY
Susan N. Story
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 18: EX-32 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2014, as filed with the Securities and exchange Commission on the date hereof (the “Report”), I, Jeffry Sterba, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 202, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JEFFRY STERBA
Jeffry Sterba
President and Chief Executive Officer
(Principal Executive Officer)

May 7, 2014

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Section 19: EX-32 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2014, as filed with the Securities and exchange Commission on the date hereof (the “Report”), I, Susan N. Story, Senior Vice President and Chief Financial Officer, of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 202, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ SUSAN N. STORY
Susan N. Story
Senior Vice President and Chief Financial Officer

May 7, 2014

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