Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation, in our Annual Report on Form 10-K for the year ended December 31, 2018, and subsequent filings with the SEC, including our Form 10-Q for the quarter ended June 30, 2019, as filed with the SEC on July 31, 2019.

Non-GAAP Financial Information

This presentation includes non-GAAP financial measures. Further information regarding these non-GAAP financial measures, including a reconciliation of each of these measures to the most directly comparable GAAP measure, is included in the Appendix to this presentation.
CUSTOMER TRENDS

- Customers offered personalized services with minimal touch points
- Empathy considerations supersede transactional experience
- Seamless customer experience across the enterprise
- Proactive issue management is fundamental

TECHNOLOGY TRENDS

- AI & machine learning rapidly penetrates and disrupts many core enterprise functions
- Self optimizing, software defined business models drives competitive business advantage
- High speed computing and integrated devices accelerate the pace of technological innovation
- Robotics become mainstream

SOCIAL TRENDS

- Social networks dominate as the primary communication channel
- Facts, opinions and “alternate facts” equally dominate social networks
- Community groups leverage social networks to advance targeted agenda (environment, water, education, etc.)
- Heightened emotion about environmental and political policies

WORK EXECUTION TRENDS

- As aging work force retires, there will be less employees to execute workload
- Dynamic teams will replace fixed organization structures
- Work will be planned and executed, from perspective customers
- 30-50% of work will be automated

FINANCIAL TRENDS

- Technology enabled companies lead valuations
- Increasing market volatility and recession concerns
- ESG Principles increasingly mainstream


The industry leader

- **Best in Class** execution of business fundamentals
- Highest in customer satisfaction
- Set the bar for water quality, water source monitoring, and water technology across US
- Proven and predictable financial performance and growth

Trusted source of everything water
Why Invest in American Water?

Clear, Transparent Story into the Future

- Decades of investment needed
- Line of sight to $8-$8.6 billion of 5 year capex
- Fragmented national water and wastewater landscape
- Capital-light MBBs leverage core competencies, increase customer experience, and generate cash

Low Risk, Regulated Water Utility

- Multi-decade infrastructure investment; with a fragmented market acquisitions adding to capital needs
- Hundreds of water projects per year reducing risk of large scale single projects
- Multiple state regulatory jurisdictions reduce both weather and regulatory risks
- Industry specific fair market value legislation
- Water Quality legislation becoming a focus
- Regulatory mechanisms support infrastructure investment
- Predominantly Regulated risk profile representing 85% by 2023

Demonstrated Execution of Strategy

- Five year Total Shareholder Return (2013 – 2018) of 140%
- Long-term growth expected in top half of 7-10%* target EPS CAGR guidance through 2023
- 2018 adjusted EPS near 9% growth
- “A” S&P credit rating reduces our cost of capital
- 23% improvement in O&M efficiency ratio since 2010
- Focus on capital efficiency

Commitment to Shareholders

- Five year dividend growth (2013-2018) CAGR of 10%
- 2019-2023 Dividend Growth at high end of 7-10%* EPS growth CAGR
- A leading Environmental, Social Responsibility and Governance investment

ESG

- Keeping employees safe and injury-free, and developing each person to his or her fullest potential
- Being a leader in environmental sustainability, caring for the planet, and leading the nation in outstanding water safety and quality
- Delivering the personalized customer service with empathy and care
- Making communities better because we’re there; and being transparent, accessible and well-governed for our shareholders and investors

* Anchored off of 2017 Adjusted EPS (a non-GAAP measure) - See appendix for reconciliation
Our Strategy Continues to Drive Growth

2019-2023 Plan
7-10%* EPS CAGR top half of range

- **Market Based Businesses**: 1-2%
- **Regulated Acquisitions**: 1-2%
- **Regulated Investment CAPEX**: 5-7%

- **Grow EPS long-term CAGR at top half of 7-10%* through 2023**...
  - One of the fastest growing utilities in the nation

- **Invest $8.0-8.6 billion in capital investment**...
  - 2019 Capital Plan of $1.8 – $1.9 billion
  - continued focus on customer affordability
  - Rate growth CAGR of 7-8% through 2023

- **Continuing to improve O&M and Capital efficiency**...
  - through technology, supply chain, and cost management

- **Grow dividends at high end of 7-10%* EPS range****
  - Top quartile utility dividend growth
  - Payout ratio between 50-60% of earnings

- **No equity needed under current plan**

*Anchored off of 2017 Adjusted EPS (a non-GAAP measure) - See appendix for reconciliation
**Subject to board approval
Investment Thesis
American Society of Civil Engineers Grades US Infrastructure

- Waste Water Report Card
  - 2017 Grade D+

- Drinking Water Report Card
  - 2017 Grade D

- Not American Water pipes

Resiliency investments to manage climate variability

- Approximately 50,000 water systems, 15,000 wastewater systems

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

- In the U.S., over 20%—or 2 trillion gallons—of treated water is lost each year...

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

Critical need for multi-decade investment
To serve our Regulated Customers, we have...

**ASSETS**
as of December 31, 2018

- 51,000 miles of pipe
- 621 water treatment plants
- 1,000 wells
- 130 wastewater facilities
- 1,300 water storage facilities
- 1,400 pumping stations

**Regulated Employees**

- more than 7,100 employees
- ≈5,900

**11 PhDs**

to address emerging contaminants and water quality

Our customers pay < $0.01 per gallon on average.
Diversity gives us **Key Competitive Advantages**

National regulated footprint provides regulatory and geographic diversity
Our investments **ensure** safe, reliable, affordable water & wastewater **services** for our customers

$0.6 – $1.2
Regulated Acquisitions

$0.1
Other

$7.3
Regulated System Investments

$8.0 – $8.6

2019 - 2023 Average Regulated Capital Expenditures by Purpose

Over the last five years our pipe renewal rate has averaged about 150 year replacement cycle, and anticipate to replace nearly 2,000 miles of mains & collection pipes between 2019 - 2023.

**Regulated O&M Efficiency Ratio* **

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<tr>
<td>Efficiency</td>
<td>46.1%</td>
<td>41.0%</td>
<td>39.1%</td>
<td>36.6%</td>
<td>35.6%</td>
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*Non-GAAP Measure – See appendix for reconciliation. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses and 2010–2016 adjusted for TCJA.

**A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.**

**Adjusted O&M Expenses* ($ in millions)**

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<td>$980</td>
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<td>$948</td>
<td>$1,015</td>
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<table>
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<th>Period</th>
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<tr>
<td>CAGR</td>
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</tr>
</tbody>
</table>

31.5% **

2023 Target

$980

2012

$943

2014

$948

2016

$1,015

2018

$1,020

Efficiency through **Technology**

6/30/2019 LTM
Timely Recovery through regulatory mechanisms

2019-2023 Capital Plan (average)

57% Forward test years (25%)

43% Traditional Recovery

Infrastructure Surcharge Mechanisms (32%)
Timely Recovery of Revenues, Expense, and Investment Mechanisms
Supports Our Customers

17 New Regulatory Mechanisms Across Our Footprint Since 2010

As of 2010
As of 6/30/2019

Revenue Stability Mechanisms
- CA
- IL
- NY

Utility Plant Recovery Mechanisms
- CA
- HI
- IA
- KY
- MO
- NJ
- NY
- PA
- TN
- VA

Future Test Years
- CA
- HI
- IA
- IL
- IN
- VA

Expense Mechanisms
- CA
- IL
- NY
- PA
- TN
- VA

Infrastructure Replacement Surcharges
- IA
- NJ
- WV
- IL
- NY
- PA
- TN
- KY
- VA

Consolidated Tariffs
- CA
- MD
- VA
- IL
- IN
- NY
- KY
- PA

As of 6/30/2019

Timely Recovery of Revenues, Expense, and Investment Mechanisms
Supports Our Customers

17 New Regulatory Mechanisms Across Our Footprint Since 2010
Highly fragmented Water Industry Creates Opportunity

American Water footprint
- Ideal fit for industry consolidation opportunities
- Target 3K-30K customer connections per acquisition
- Wastewater focus (AWK customer connections mix – 94% water & 6% wastewater)

Highly fragmented industry

Natural Gas Utilities
Ghgdga.epa.gov/ghgp/main.do#

Electric Utilities
Electric Utilities Source: Form EIA-861 detailed data files
www.eia.gov/electricity/data/eia8

Water Utilities
Water Utilities Source: EPA SDWIS Federal Reports Search
www3.epa.gov/enviro/facts/sdwis

Industry opportunity
- Water 16% Investor owned
- Wastewater 2% Investor owned
- 84% Public & other
- 98% Public & other
State Legislation Across our Footprint Enables Opportunities

- **Fair market value** (Act 12)
- **Water & wastewater revenue requirement consolidation** (Act 11)

**Pennsylvania**
- Fair market value
- Water & wastewater revenue requirement consolidation

**Indiana**
- Fair market value
- Water Quality Accountability
  - Bi-partisan: Passes unanimously in the IN Senate & Assembly

**California**
- Fair market value

**Iowa**
- Fair market value

**Illinois**
- Fair market value

**Missouri**
- Fair market value

**Maryland**
- Fair market value
- Water Quality Accountability Act
  - Bi-partisan: Passes unanimously in the NJ Senate & Assembly

**New Jersey**
- Fair market value

**Virginia**
- Fair market value
- Water rate consolidation
- Wastewater rate consolidation

**Kentucky**
- Consolidation/Regionalization
We actively pursue acquisitions using a **Disciplined Approach**

American Water Acquisitions**

From 2015-2019 **74*** closed deals in **10 states**
≈110,000 Customer connections

More than 50,000 Community Water & about 15,000 Wastewater Systems*

10,000 systems serving > 3,000 customers

Opportunities over 5 years ≈500,000

Regulatory & Legislative climate

* The number of water systems are available on the United States Environmental Protection Agency website and number of wastewater systems are included in the 2017 infrastructure report card.

** Excludes organic growth customer connections.

*** Closed water and wastewater deals counted as separate transactions and includes for 2019 12 closed systems as of July 31, 2019.
Our Acquisition Strategy Delivers Steady Growth

Agreement Process

Regulatory Approval

Close & Customers Served at Initial Rates

Rate Case Process

Signed & Pending ≈ 38,200 Customer Connections

- 29 Signed/Pending Acquisitions
  - CA: 5
  - HI: 1
  - IA: 1
  - IL: 10
  - IN: 2
  - MO: 5
  - PA: 3
  - WV: 2

2019 Closed* ≈ 30,700** Customer Connections

- Sadsbury Township, PA Wastewater
- Mt Ephraim Borough, NJ Wastewater
- Charlestown, IN Water

2019 Highlights

- Alton, IL Wastewater
- Sadsbury Township, PA Wastewater
- Mt Ephraim Borough, NJ Wastewater
- Charlestown, IN Water

* As of 7/31/2019
** This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000
Acquisition overview

- Largest acquisition utilizing Systems Viability Act ("SVA") in Illinois to date; consistent with corporate strategy to promote use of fair market value for water and wastewater system acquisitions

- Acquisition consistent with American Water’s strategy to grow its regulated business by acquiring wastewater systems in its water footprint - Illinois American Water has provided water in Alton for the company’s entire 133-year history

- Purchase price of $55 million

- Illinois American Water is committed to partnering with Alton in constructing a resource recovery facility to convert wastewater sludge into a re-usable energy source - leveraging American Water’s market based expertise

- Study prepared by the University of Illinois found the sale to have a regional economic benefit of over $65 million during the first five years of ownership

- American Water financed this acquisition with debt allocated to Illinois American Water

- Will operate as a part of Illinois American Water; all employees were offered employment

Key facts

<table>
<thead>
<tr>
<th>Customers</th>
<th>23,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miles of collection &amp; interceptor sewers</td>
<td>205</td>
</tr>
<tr>
<td>Treatment plant capacity (MGD)</td>
<td>26.25 (peak)</td>
</tr>
</tbody>
</table>

Service Area
Market-Based Businesses provide **Strategic Value**

Portfolio optimization leads to **3 capital light, cash flow positive business lines**

### HOS
- 3.0 million contracts serving 1.5 million customers
- Capital light, cash flow positive
- 9 point increase in customer satisfaction

### MSG
- 16 bases in current footprint
- Opportunity for infrastructure upgrades on existing bases
- Focus on water transfer only

### Keystone

---

- Drives better customer service
- Builds relationships and positive branding
- Leverages core competencies
- Attracts talent
- Capital light and cash flow positive
ESG Focus
Our ESG Philosophy

Companies Do Well by Doing Good

Values matter

The “how” is just as important as the “what” for long-term financial sustainability

Water is the most precious resource for life. We aren’t just a water utility; we’re in the health and safety business

How we implement ESG principles

• Keeping employees safe and injury-free, and developing each person to his or her fullest potential

• Being a leader in environmental sustainability, caring for the planet, and leading the nation in outstanding water safety and quality

• Delivering the best, most personalized customer service with empathy and care

• Making communities better because we’re there; and being transparent, accessible and well-governed for our shareholders
**Energy Use**

- **GHG emissions**: Goal of reducing 40% by 2025 from 2007 baseline, after achieving approximately 31% reduction through 2017
- **Design for efficiency**: enhanced pump, lighting and process design standards
- **Construct for efficiency**: sustainable construction standards and methods
- **Operate for efficiency**: enhanced best operating practices, leak detection and repair procedures
- **Maintain for efficiency**: computerized maintenance management systems and preventive maintenance systems

**Water Use**

- **San Clemente dam**: Deconstruction to restore “run of river”
- **Monterey Peninsula Water Supply Project**: Recycling, reuse and desalination using marine life friendly slant wells
- **Customer conservation**: residential customers have saved about 1,100 gallons per customer per year—or 3.3 billion gallons annually, about 12.5 million cubic meters—through conservation and efficiency measures

**Water Policy Leadership**

- **Capital investment**: Expect 5 year $8.0 billion to $8.6 billion total capital investment to address aging infrastructure, reduce/eliminate leaks, improve cyber/physical security, and increase resiliency of critical assets due to climate variability
- **Research & Development**: scientists dedicated to research and partnering with water research foundations, on water quality and technology-water source monitoring
- **Collaboration**: EPA, CDC, state DEPs and other agencies to support effective environmental, health and safety, and water quality standards and regulations
“S”: Social Responsibility

Our People

- **Training**: During 2018, nearly 80,000 hours of annual employee safety training
- **Employee engagement**: Frequent surveys with formalized employee action teams
- **Frontline employees**: driving technology development
- **Union representation**: As of December 31, 2018, 49% of workforce in jobs represented by unions
- **Diverse job candidate pools**: During 2018, 86% of job requisitions had a diverse candidate pool, with more than 52% of transfers/promotions filled by minority, female, veteran or disabled individuals
- **Culture**: Diverse, inclusive culture characterized by respect and dignity of every employee

Our Customers

- **Customer data protection**: we do not share or sell personal customer data
- **Technology development**: ensuring a personalized positive experience
- **Customer satisfaction**: Top Quartile in the water industry
- **Online communities as of 08/2019**:
  - 7,007,742 views
  - 82,061 fans
  - 31,633 followers
  - 17,243 followers

Our Communities

- **Community service**: More than 5,000 hours in 2018 for company-sponsored events
- **Charity support**: Sponsored national workplace giving campaigns with the United Way and Water For People, as well as supporting our employees’ own charitable endeavors through the American Water Charitable Foundation
- **American Water Charitable Foundation**:
  - Union sportsmen’s alliance projects
  - Parks partnerships projects
  - Employee match program
  - Keep Communities Flowing

Diverse, inclusive culture characterized by respect and dignity of every employee
**Board & Committee Structure**

- **Ensuring independence**: board is led by an independent, non-executive chair
- **Safety, Environmental, Technology, Operations (SETO) Board Committee**
- **Engaging board sufficiently**: board met 13 times in 2018
- **Board engages directly with front-line employees**: Off-site board meetings twice a year, external stakeholder receptions, dinners and meetings with “high potential” leaders periodically
- **Engaging investors**: robust program for management and board engagement

**Diverse**

- **Achieving gender parity**: highest proportion of female board members among S&P 500 companies in 2017
- **54.5% female board members as of July 2019**
- **6 of 11 directors <4 years on board as of July 2019**

**Demonstrated & Representative Expertise**

- **Utility experience and expertise**
- **Internationally recognized cyber security expert**
- **Financial expertise**
- **Retired CEO experience**
- **Operational and manufacturing experience and expertise**
- **Global experience**
American Water commits to further diversity in leadership through a partnership with Paradigm for Parity

American Water earns 2019 Military Friendly® Bronze Employer designation

American Water awards grants to local firefighters to support the safety of local communities

American Water employees contribute 4,800 volunteer hours across U.S. during month of service

West Virginia American Water’s Kanawha Valley Plant Wins 1st Place in the WV-AAWWA Tap Water Taste Test

“American Water Receives 9 Directors Awards from the EPA’s Partnership for Safe Water for Excellence in Water Quality”

Philadelphia Inquirer Lists American Water as a Top-ranked Company on Diversity, Governance & Transparency

United Way Awards American Water Employees the ‘Leading the Way Award’ for generosity

Environmental Business Journal Recognizes American Water for Business Achievement

Peter Drucker Institute & Wall Street Journal Management Top 250 has American Water as the highest ranked utility company

Young artists earn funds for their schools through Illinois American Water’s “Imagine a day Without Water” art contest

United Way Awards American Water Employees the ‘Leading the Way Award’ for generosity

#23 on Barron’s 100 Most Sustainable Companies; Highest ranked Utility

Bloomberg Gender Equality Index

Top 100 Best for Vets Employers by Military Times

New in 2019
**In Summary – AWK Creates ongoing Shareholder Value**

**Dividend Growth**

Target dividend growth CAGR at High End of 7-10% with a Payout Target of 50-60%

**AWK Shareholder Value**

*Adjusted Consolidated Return on Equity*:

- **LTM June 30, 2018**: 9.8%
- **LTM June 30, 2019**: 10.2%

Regulated Wt Avg authorized ROE is 9.8%

**Total Shareholder Return (Price + Dividend) as of 6/30/2019**

- **American Water**:
  - One Year: 38.6%
  - Three Year: 45.8%
  - Five Year: 161.2%

- **UTY Index**:
  - One Year: 19.5%
  - Three Year: 27.9%
  - Five Year: 62.8%

- **S&P 500**:
  - One Year: 10.3%
  - Three Year: 48.9%
  - Five Year: 66.3%

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(a) Adjusted return on equity (includes both Regulated and Market-based Businesses) is a non-GAAP measure. Please see reconciliation table in appendix.

(b) Future dividends are subject to approval of the American Water Board of Directors.

(c) Anchored off of 2014 dividends paid.

(d) Anchored off of 2017 Adjusted EPS (a non-GAAP measure).
Investor Relations Contacts

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Abbey Barksdale  
Manager, ESG  
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Appendix
Certain statements in this presentation including, without limitation, with respect to dividend growth guidance; the outcome of pending or future acquisition activity; the amount and allocation of future capital investments and expenditures; estimated revenues and regulatory recovery from rate cases and other governmental agency authorizations; estimates regarding our projected rate base, growth, results of operations and financial condition; our projected regulated operation and maintenance efficiency ratio; macro trends; our ability to execute our business and operational strategy; and projected impacts of the Tax Cuts and Jobs Act (the “TCJA”), are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2018, and subsequent filings with the SEC, including our Form 10-Q for the quarter ended June 30, 2019, as filed with the SEC on July 31, 2019, and because of factors including, without limitation: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions; our ability to control operating expenses and to achieve efficiencies in our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire, close and successfully integrate regulated operations and market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses, and realize anticipated benefits and synergies from new acquisitions; future results and growth from Keystone Clearwater Solutions’ narrowed business focus; access to sufficient capital on satisfactory terms and when and as needed to support operations and financial condition; our projected regulated operation and maintenance efficiency ratio; macro trends; our ability to execute our business and operational strategy; and projected impacts of the TCJA, the availability of tax credits and tax abatement programs; and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards.

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

Regulated Customer Connections
As of December 31, 2018
(in Thousands)

- Pennsylvania, 725
- New Jersey, 697
- Missouri, 483
- Illinois, 321
- Indiana, 307
- California, 179
- West Virginia, 167
- Other, 503

2018 Regulated Revenues
(in Millions)

- Pennsylvania, $725
- New Jersey, $697
- Missouri, $483
- Illinois, $321
- Indiana, $307
- California, $221
- West Virginia, $144
- Other, $372

American Water customer connections mix – 94% water & 6% wastewater
American Water’s Debt Profile

Consolidated debt maturity profile 5 years as of December 31, 2018

- **No equity needed under current plan...**
- **S&P company rating: A**
- **Moody’s company rating: Baa1**

Debt/ Total Capitalization ratio**

- **Dec. ‘13**: 55%
- **Dec. ‘14**: 55%
- **Dec. ‘15**: 56%
- **Dec. ‘16**: 58%
- **Dec. ‘17**: 59%
- **Dec. ‘18**: 59%
- **Estimated Dec. ‘23**: 61-62%

Consolidated debt maturity profile 5 years as of December 31, 2018

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<th>Year</th>
<th>$ in millions</th>
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<td>2020</td>
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<td>2021</td>
<td>$304</td>
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<td>2022</td>
<td>$25</td>
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<td>2023</td>
<td>$162</td>
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* Neither of these ratings is a recommendation to buy, sell or hold securities. Each rating may be subject to revision or withdrawal at anytime, and should be evaluated independently of any other rating.

** Based on $8.0 to $8.6 Billion CapEx Range and Includes both long term and short term debt.
Homeowner Services Group... Organized around Our Customers and delivering value to Our Regulated partners

Increased satisfaction of regulated customers
9 point increase on average

2018 Partnership Wins
- Philadelphia
- Ft. Wayne
- San Francisco
- Toledo
- Pinellas Co., FL

HOS + Pivotal provide

Scale
From 0.9M to 1.5M customers

Diversifies Product Suite
Predominantly water & sewer, expanded utility service lines + HVAC

New Utility Partnership Opportunities

Free Cash Flow for increased capital investment
Military Services Group – “Regulated like”

<table>
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<td>Picatinny Arsenal</td>
<td>NJ</td>
<td>45</td>
</tr>
<tr>
<td>Vandenberg AFB</td>
<td>CA</td>
<td>46</td>
</tr>
<tr>
<td>Wright-Patterson AFB</td>
<td>OH</td>
<td>48</td>
</tr>
<tr>
<td>Fort Leonard Wood</td>
<td>MO</td>
<td>49</td>
</tr>
<tr>
<td>Joint Base San Antonio</td>
<td>TX</td>
<td>50</td>
</tr>
<tr>
<td>West Point</td>
<td>NY</td>
<td>50</td>
</tr>
</tbody>
</table>
National Inclusion & Diversity Recognitions

- Recognized as a 2019 top-scoring company on the Disability Equality Index (DEI), earning the recognition of “Best Places to Work for Disability
- American Water is recognized as a 2019 member of the Bloomberg Gender Equality Index
- American Water founding member of NYSE Board Advisory Council to Advance Board Diversity
- “Featured employer” on GI Jobs website, www.gijobs.com/employers-for-veterans/american-water/
- Named NAACP Equity, Inclusion and Empowerment Index
- Awarded 2019 Bronze level Military Friendly Employer
- Awarded 2018 Military Times Best Vets Employer
- U.S. Veterans Magazine recognized American Water as a veteran-friendly company and for having a veteran-friendly supplier diversity program
- Awarded Military Spouse Employment Partnership by the Department of Defense
Growth supported by a Strong Balance sheet with No Equity Needed under normal operating conditions

S&P Utility Credit Rating*

<table>
<thead>
<tr>
<th>Rating</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB (+/-)</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>BAA (+/-)</td>
<td>12</td>
<td>11</td>
<td>8</td>
<td>15</td>
<td>8</td>
</tr>
</tbody>
</table>

Moody’s Utility Credit Rating* (stable outlook)

<table>
<thead>
<tr>
<th>Rating</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ba2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ba1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Baa2</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Baa1</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>A3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>A2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>A1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

*Population of 28 companies representative of the overall utility sector as determined by American Water

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2023 E</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB (+/-)</td>
<td>59%</td>
<td>62-63%</td>
</tr>
<tr>
<td>BAA (+/-)</td>
<td>$8.0 to $8.6 Billion</td>
<td></td>
</tr>
</tbody>
</table>

Tax reform update: Change in Cash Flows from Operations
Improved $120M
(from original estimate on February 21, 2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ in millions</td>
<td>($50)</td>
<td>($100)</td>
<td>($150)</td>
<td>($200)</td>
<td>($250)</td>
</tr>
</tbody>
</table>

Improved $120M (from original estimate on February 21, 2018)

Long-Term Debt as of 12/31/2018
Total $7.6 billion

- Regulated
- Parent
- Market-Based

$ in billions
$0.2
$1.7
$5.7
$7.6

Denotes marginal improvement
## Estimated Rate Base*  

<table>
<thead>
<tr>
<th>As of</th>
<th>Net Utility Plant</th>
<th>Less</th>
<th>Total Estimated Rate Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2015</td>
<td>$17.6</td>
<td>$0.2</td>
<td>$13.0</td>
</tr>
<tr>
<td>12/31/2016</td>
<td></td>
<td>$1.3</td>
<td></td>
</tr>
<tr>
<td>12/31/2017</td>
<td></td>
<td>$3.1</td>
<td></td>
</tr>
<tr>
<td>12/31/2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/30/2019</td>
<td></td>
<td></td>
<td>$13.0</td>
</tr>
</tbody>
</table>

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

**Anchored off of 2017 rate base**  

***Includes the regulatory liability established to normalize the impact of tax rate changes under the Tax Cuts and Jobs Act**
Prudent Investment Drives Need for Rate Cases

1. Establish Rate Base \times \text{Weighted Average Cost of Capital} = \text{Allowed Return}

2. \text{Allowed Return} + \text{Operating Expenses} + \text{Taxes, Depr & Amortization} = \text{Revenue Requirement}

Saving $1 in OpEx vs investing $8 in capital at allowed ROE, Keeps customer rates neutral and accelerates needed investment.
How O&M Efficiency Translates to Investment Growth

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

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>$1 Expense Savings</th>
<th>~$8 Invested Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O&amp;M</td>
<td>0.96</td>
<td>$ -</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>$ 0.20</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>-</td>
<td>$ 0.19</td>
</tr>
<tr>
<td>Property &amp; General Taxes</td>
<td>0.04</td>
<td>$ 0.08</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1.00</td>
<td>$ 0.47</td>
</tr>
<tr>
<td>Operating Income (=a-b)</td>
<td>-</td>
<td>$ 0.53</td>
</tr>
<tr>
<td>Federal &amp; State Income Taxes</td>
<td>-</td>
<td>$ 0.14</td>
</tr>
<tr>
<td>Net Income to Shareholder (=c-d)</td>
<td>$ -</td>
<td>$ 0.39</td>
</tr>
</tbody>
</table>

1. Assumes 4% taxes on revenue (gross receipts e.g.)
2. Assumes 2.5% depreciation expense
3. Assumes debt financing at 4.9%
4. Assumes property taxes on invested capital of 0.5% and revenue taxes of 4%
5. Assumes effective income tax rate of 26.1%, based on federal tax rate of 21%
6. Assumes authorized weighted average ROE of 9.8%
### Rate Cases & Step Increases

<table>
<thead>
<tr>
<th>State (Region)</th>
<th>Date Effective</th>
<th>Annualized Revenue Increases Effective in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>2/5/2019</td>
<td>$1&lt;sup&gt;(a)&lt;/sup&gt;</td>
</tr>
<tr>
<td>West Virginia</td>
<td>2/25/2019</td>
<td>$19&lt;sup&gt;(b)&lt;/sup&gt;</td>
</tr>
<tr>
<td>New York</td>
<td>4/1/2019</td>
<td>$4&lt;sup&gt;(c)&lt;/sup&gt;</td>
</tr>
<tr>
<td>California</td>
<td>5/11/2019</td>
<td>$4&lt;sup&gt;(d)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Kentucky</td>
<td>6/28/2019</td>
<td>13</td>
</tr>
<tr>
<td>Indiana</td>
<td>7/1/2019</td>
<td>$4&lt;sup&gt;(e)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Infrastructure Charges

<table>
<thead>
<tr>
<th>State (Region)</th>
<th>Date Effective</th>
<th>Annualized Revenue Increases Effective in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois (QIP)</td>
<td>1/1/2019</td>
<td>$8</td>
</tr>
<tr>
<td>West Virginia (DSIC)</td>
<td>1/1/2019</td>
<td>2</td>
</tr>
<tr>
<td>Pennsylvania (DSIC)</td>
<td>4/1/2019</td>
<td>2</td>
</tr>
<tr>
<td>Missouri (ISRS)</td>
<td>6/24/2019</td>
<td>9</td>
</tr>
<tr>
<td>New Jersey (DSIC)</td>
<td>7/1/2019</td>
<td>15</td>
</tr>
<tr>
<td>Pennsylvania (DSIC)</td>
<td>7/1/2019</td>
<td>3</td>
</tr>
<tr>
<td>New York (SIC)</td>
<td>8/1/2019</td>
<td>2</td>
</tr>
<tr>
<td>Tennessee (QIP, EDI, SEC)</td>
<td>9/1/2019</td>
<td>1</td>
</tr>
<tr>
<td>Pennsylvania (DSIC)</td>
<td>10/1/2019</td>
<td>6</td>
</tr>
</tbody>
</table>

**Total** $93

---

<sup>(a)</sup> On February 5, 2019, the Maryland Public Service Commission issued an Order authorizing an increase of $1.45 million effective February 5, 2019.

<sup>(b)</sup> On February 8, 2019, the West Virginia Public Service Commission issued an Order authorizing an increase of $19 million effective February 25, 2019, this excludes $4 million in DSIC revenues.

<sup>(c)</sup> Total Rate award for this rate case was $20.9 million with increases of $3.6, $4.8, $4.6 and $7.9 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively. The Rate award for the rate case was adjusted to $17.9 million with increases of $2.8, $4.1, $3.9 and $7.1 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively, to reflect an adjustment to property taxes.

<sup>(d)</sup> 2019 step rate increases approved effective May 11, 2019. On August 23rd, 2019 CAW filed a tier 2 advice letter to request a true-up of interim rates. This interim rate true-up included differences between interim rates and adopted rates from the beginning of test year 2018 through the 2019 escalation year up to the May 11, 2019 effective date of step rates. If authorized, the relief requested would become effective on September 22, 2019.

<sup>(e)</sup> The overall increase is $17.5 million in revenues combined over two steps, the first step is effective 7/1/2019 in the amount of $4.4 million and the second step should be effective 5/1/2020 in the amount of $13.1.
<table>
<thead>
<tr>
<th>Rate Cases Filed Company</th>
<th>Docket/Case Number</th>
<th>Date Filed</th>
<th>Requested Revenue Increase</th>
<th>ROE Requested</th>
<th>Rate Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia</td>
<td>Case No. PUR-2018-00175</td>
<td>11/2/2018</td>
<td>$5(1)</td>
<td>10.80%</td>
<td>$196</td>
</tr>
<tr>
<td>California</td>
<td>Case No. A. 19-07-xxx</td>
<td>7/1/2019</td>
<td>$26(1)</td>
<td></td>
<td>$689</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$31</td>
<td></td>
<td>$885</td>
</tr>
</tbody>
</table>

**Infrastructure Charges Filed**

<table>
<thead>
<tr>
<th>Rate Cases Filed Company</th>
<th>Docket/Case Number</th>
<th>Date Filed</th>
<th>Requested Revenue Increase</th>
<th>Rate Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Virginia (DSIC)</td>
<td></td>
<td>6/28/2019</td>
<td>$4 (1)</td>
<td>$41</td>
</tr>
<tr>
<td>Missouri (ISRS)</td>
<td></td>
<td>8/26/2019</td>
<td>6</td>
<td>$55</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$10</td>
<td>$96</td>
</tr>
</tbody>
</table>

**Total Awaiting Final Order:** $41

---

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

2. Test Year 2021 revenue requirement requests an increase of $26.0 million. This excludes the step rate and attrition rate increase for 2022 and 2023 of $9.8 million and $10.8 million, respectively. The total revenue requirement request for the three year rate case cycle is $46.6 million.

3. The DSIC revenue requirement is $3.7 million increase which is offset by $0.1 million related to Boone-Raleigh Acquisition Settlement adjustment.
# Regulated Utilities: Rate Base & Authorized Return on Equity

<table>
<thead>
<tr>
<th>State</th>
<th>Authorized Rate Base*</th>
<th>Authorized ROE</th>
<th>Authorized Equity</th>
<th>Effective Date of Rate Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$498,135</td>
<td>9.20%&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>55.39%&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>1/1/2018&lt;sup&gt;(a)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Illinois</td>
<td>$883,386</td>
<td>9.79%</td>
<td>49.80%</td>
<td>1/1/2017</td>
</tr>
<tr>
<td>Indiana</td>
<td>$1,061,192</td>
<td>9.80%</td>
<td>53.41%&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>7/1/2019</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$443,654</td>
<td>9.70%&lt;sup&gt;(e)&lt;/sup&gt;</td>
<td>48.90%</td>
<td>6/28/2019</td>
</tr>
<tr>
<td>Missouri</td>
<td>$1,249,293&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>10.00%&lt;sup&gt;(e)&lt;/sup&gt;</td>
<td>52.80%&lt;sup&gt;(d)&lt;/sup&gt;</td>
<td>5/28/2018</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$2,950,471</td>
<td>9.60%</td>
<td>54.00%</td>
<td>10/29/2018&lt;sup&gt;(g)&lt;/sup&gt;</td>
</tr>
<tr>
<td>New York</td>
<td>$275,463</td>
<td>9.10%</td>
<td>46.00%</td>
<td>6/1/2017&lt;sup&gt;(h)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$3,162,597&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>10.00%&lt;sup&gt;(e)&lt;/sup&gt;</td>
<td>53.75%&lt;sup&gt;(d)&lt;/sup&gt;</td>
<td>1/1/2018&lt;sup&gt;(d)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Virginia</td>
<td>$155,747</td>
<td>9.25%</td>
<td>46.09%</td>
<td>5/24/2017&lt;sup&gt;(f)&lt;/sup&gt;</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$652,900&lt;sup&gt;(h)&lt;/sup&gt;</td>
<td>9.75%</td>
<td>48.40%&lt;sup&gt;(h)&lt;/sup&gt;</td>
<td>2/25/2019</td>
</tr>
</tbody>
</table>

*Rate Base stated in $000s

<sup>(a)</sup> On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding.

<sup>(b)</sup> The Rate Base listed is the Company’s view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.

<sup>(c)</sup> The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.

<sup>(d)</sup> The equity ratio listed is the Company’s view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

<sup>(e)</sup> The ROE listed is the Company’s view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.

<sup>(f)</sup> Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

<sup>(g)</sup> Interim rates were effective June 15, 2018 and final rates effective October 29, 2018.

<sup>(h)</sup> The Rate Base and equity ratio listed is the Company’s view of what was allowed in the case, there were multiple versions disclosed by the parties in the applicable settlement agreement.
### 2019 Closed Acquisitions* as of July 31st

<table>
<thead>
<tr>
<th>State</th>
<th>Number of Systems</th>
<th>Water Customer Connections</th>
<th>Wastewater Customer Connections</th>
<th>Total Customer Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>1</td>
<td>500</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Illinois**</td>
<td>1</td>
<td>-</td>
<td>23,000</td>
<td>23,000</td>
</tr>
<tr>
<td>Indiana</td>
<td>1</td>
<td>2,900</td>
<td>-</td>
<td>2,900</td>
</tr>
<tr>
<td>Kentucky</td>
<td>2</td>
<td>400</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>Missouri</td>
<td>3</td>
<td>100</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1</td>
<td>-</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>3</td>
<td>300</td>
<td>1,400</td>
<td>1,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>4,200</strong></td>
<td><strong>26,500</strong></td>
<td><strong>30,700</strong></td>
</tr>
</tbody>
</table>

* Customer Connections are rounded

** This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000 connections.
<table>
<thead>
<tr>
<th>State</th>
<th>Number of Systems</th>
<th>Water Customer Connections</th>
<th>Wastewater Customer Connections</th>
<th>Total Customer Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>5</td>
<td>11,500</td>
<td>-</td>
<td>11,500</td>
</tr>
<tr>
<td>Hawaii</td>
<td>1</td>
<td>-</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Iowa</td>
<td>1</td>
<td>100</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Illinois</td>
<td>10</td>
<td>1,600</td>
<td>8,800</td>
<td>10,400</td>
</tr>
<tr>
<td>Indiana</td>
<td>2</td>
<td>3,300</td>
<td>500</td>
<td>3,800</td>
</tr>
<tr>
<td>Missouri</td>
<td>5</td>
<td>-</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>3</td>
<td>2,300</td>
<td>9,000</td>
<td>11,300</td>
</tr>
<tr>
<td>West Virginia</td>
<td>2</td>
<td>800</td>
<td>-</td>
<td>800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>19,600</strong></td>
<td><strong>18,600</strong></td>
<td><strong>38,200</strong></td>
</tr>
</tbody>
</table>

*Customer Connections are rounded*
Reconciliation Table: Consolidated Adjusted Earnings Per Share*

<table>
<thead>
<tr>
<th>Consolidated Adjusted EPS</th>
<th>For the Twelve Months Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share (GAAP):</td>
<td></td>
</tr>
<tr>
<td>Net income attributable to common shareholders</td>
<td>$ 3.15</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Contract Services Gain on Sale</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>0.02</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>0.31</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Net loss attributable to noncontrolling interest</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>0.22</td>
</tr>
<tr>
<td>Freedom Industries Insurance Settlement</td>
<td>(0.11)</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>0.03</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Early Debt Extinguishment at Parent</td>
<td>-</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>-</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>-</td>
</tr>
<tr>
<td>Re-measurement from Tax Reform</td>
<td>0.07</td>
</tr>
<tr>
<td>Total net adjustments</td>
<td>0.15</td>
</tr>
<tr>
<td>Adjusted diluted earnings per share (non-GAAP)</td>
<td>$ 3.30</td>
</tr>
</tbody>
</table>

*Amounts may not sum due to rounding
## Reconciliation Table: Adjusted Return on Equity

<table>
<thead>
<tr>
<th></th>
<th>LTM June 30, 2018</th>
<th>LTM June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$470</td>
<td>$582</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom Industries activities</td>
<td>(42)</td>
<td>(4)</td>
</tr>
<tr>
<td>Early Debt Extinguishment at Parent</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Contract Services Gain on Sale</td>
<td>-</td>
<td>(14)</td>
</tr>
<tr>
<td>Tax Impact for Items above</td>
<td>11</td>
<td>(11)</td>
</tr>
<tr>
<td>Re-measurement from Tax Reform</td>
<td>125</td>
<td>12</td>
</tr>
<tr>
<td><strong>Adjusted Net Income from Continuing Operations (a)</strong></td>
<td><strong>$570</strong></td>
<td><strong>$619</strong></td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>$5,736</td>
<td>$6,027</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom Industries activities</td>
<td>(42)</td>
<td>(4)</td>
</tr>
<tr>
<td>Early Debt Extinguishment at Parent</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Contract Services Gain on Sale</td>
<td>-</td>
<td>(14)</td>
</tr>
<tr>
<td>Tax Impact for Items above</td>
<td>11</td>
<td>(11)</td>
</tr>
<tr>
<td>Re-measurement from Tax Reform</td>
<td>125</td>
<td>12</td>
</tr>
<tr>
<td><strong>Adjusted Shareholders’ Equity (b)</strong></td>
<td><strong>$5,836</strong></td>
<td><strong>$6,064</strong></td>
</tr>
<tr>
<td><strong>Adjusted Return on Equity (a/b)</strong></td>
<td>9.8%</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

*Amounts may not sum due to rounding*
## Regulated Segment O&M Efficiency Ratio

(A Non-GAAP Unaudited Number) ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operations and maintenance expense</td>
<td>$1,291</td>
<td>$1,330</td>
<td>$1,350</td>
<td>$1,504</td>
<td>$1,479</td>
<td>$1,520</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and maintenance expense – Market Based Operations</td>
<td>257</td>
<td>256</td>
<td>289</td>
<td>372</td>
<td>362</td>
<td>387</td>
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<tr>
<td>Operations and maintenance expense – Other</td>
<td>(61)</td>
<td>(56)</td>
<td>(51)</td>
<td>(44)</td>
<td>(42)</td>
<td>(48)</td>
</tr>
<tr>
<td>Total operations and maintenance expense – Regulated Businesses</td>
<td>$1,095</td>
<td>$1,130</td>
<td>$1,112</td>
<td>$1,176</td>
<td>$1,159</td>
<td>$1,181</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated purchased water expense</td>
<td>100</td>
<td>110</td>
<td>122</td>
<td>122</td>
<td>133</td>
<td>132</td>
</tr>
<tr>
<td>Allocation of non-operation and maintenance expenses</td>
<td>29</td>
<td>35</td>
<td>39</td>
<td>30</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Impact of Freedom Industries activities</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>65</td>
<td>(20)</td>
<td>(4)</td>
</tr>
<tr>
<td>Estimated impact of weather</td>
<td>-</td>
<td>5</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted operations and maintenance expense – Regulated Businesses (a)</td>
<td>$966</td>
<td>$980</td>
<td>$943</td>
<td>$959</td>
<td>$1,015</td>
<td>$1,020</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$2,555</td>
<td>$2,854</td>
<td>$3,011</td>
<td>$3,302</td>
<td>$3,440</td>
<td>$3,521</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues – Market Based Operations</td>
<td>295</td>
<td>307</td>
<td>355</td>
<td>451</td>
<td>476</td>
<td>528</td>
</tr>
<tr>
<td>Operating Revenues – Other</td>
<td>(26)</td>
<td>(17)</td>
<td>(18)</td>
<td>(20)</td>
<td>(20)</td>
<td>(22)</td>
</tr>
<tr>
<td>Total pro forma operating revenues – Regulated Businesses</td>
<td>$2,286</td>
<td>$2,564</td>
<td>$2,674</td>
<td>$2,871</td>
<td>$2,984</td>
<td>$3,015</td>
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<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated Purchased Water expense*</td>
<td>100</td>
<td>110</td>
<td>122</td>
<td>122</td>
<td>133</td>
<td>132</td>
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<tr>
<td>Plus:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Freedom Industries chemical spill in West Virginia</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Estimated impact of weather</td>
<td>-</td>
<td>(47)</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted pro forma operating revenues—Regulated Businesses (b)</td>
<td>$2,186</td>
<td>$2,407</td>
<td>$2,570</td>
<td>$2,749</td>
<td>$2,851</td>
<td>$2,883</td>
</tr>
<tr>
<td>Adjusted O&amp;M efficiency ratio—Regulated Businesses (a)/(b)</td>
<td>44.2%</td>
<td>40.7%</td>
<td>36.7%</td>
<td>34.9%</td>
<td>35.6%</td>
<td>35.4%</td>
</tr>
</tbody>
</table>

### Adjusted operations and maintenance expense — Regulated Businesses

<table>
<thead>
<tr>
<th></th>
<th>$966</th>
<th>$980</th>
<th>$943</th>
<th>$959</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of adoption of ASU 2017-07 ***</td>
<td>-</td>
<td>39</td>
<td>(8)</td>
<td>12</td>
<td></td>
<td></td>
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<tr>
<td>Adjusted operations and maintenance expense – Regulated Businesses (c)</td>
<td>$966</td>
<td>$941</td>
<td>$951</td>
<td>$947</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Adjusted operating revenues — Regulated Businesses

<table>
<thead>
<tr>
<th></th>
<th>$2,186</th>
<th>$2,407</th>
<th>$2,570</th>
<th>$2,749</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pro forma adjustment for impact of the TCJA***</td>
<td>89</td>
<td>112</td>
<td>137</td>
<td>161</td>
<td></td>
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<tr>
<td>Adjusted pro forma operating revenues — Regulated Businesses (d)</td>
<td>$2,277</td>
<td>$2,529</td>
<td>$2,433</td>
<td>$2,588</td>
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<tr>
<td>Adjusted O&amp;M efficiency ratio—Regulated Businesses (c)/(d)</td>
<td>46.1%</td>
<td>41.0%</td>
<td>39.1%</td>
<td>36.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

* Calculation assumes purchased water revenues approximate purchased water expenses
** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) – Revenue Requirement with old Effective Tax Rate