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 September 30, 2019, as filed with the SEC on October 30, 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.
Macro Trends in the US Water Sector

Customer
- Experience above all
- 24/7 Personalized Service on Demand
- Proactive Engagement
- Connectivity and Integration
- Water’s impact on Environment and Health

Technology
- AI & machine learning rapidly penetrates and disrupts many core enterprise functions
- Smart City Initiatives on the Rise
- Self optimizing, software defined business models drives competitive business advantage
- More Physical Assets Integrated with Digital Technologies

Social
- Social networks dominate as the primary communication channel
- Community groups leverage social networks to advance targeted agenda (environment, water, education, etc.)
- Social Enterprises & Supporting Regulations on the Rise

Work Execution
- Attracting and retaining employees will require shared company purpose and strong culture
- As aging work force retires, there will be fewer employees to execute workload
- Dynamic teams will replace fixed organization structures
- Automation & Digital will Transform Jobs

Economic
- New ‘Normal’ Interest Rate Environment
- Recession Risk is Mixed but Rising
- ESG Movement Accelerates Traction
- Technology enabled companies lead valuations

Dynamic teams will replace fixed organization structures

Attracting and retaining employees will require shared company purpose and strong culture

As aging work force retires, there will be fewer employees to execute workload

Dynamic teams will replace fixed organization structures

Automation & Digital will Transform Jobs

Technology enabled companies lead valuations

New ‘Normal’ Interest Rate Environment

Recession Risk is Mixed but Rising

ESG Movement Accelerates Traction

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The industry leader

- Trusted source of everything water
- “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

We keep life flowing®
Our Strategy Continues to Drive **Growth**

### 2020-2024 Plan

- **7-10%* EPS CAGR range**

#### Market Based Businesses
- 1-2%

#### Regulated Acquisitions
- 1-2%

#### Regulated Investment CAPEX
- 5-7%

---

*Anchored off of 2018 Adjusted EPS (a non-GAAP measure)*

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- **Grow EPS long-term CAGR of 7-10%***…
  - ... One of the fastest growing utilities in the nation

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

- **Maintain our predominantly regulated risk profile**...
  - ... Market based businesses represent 12% of EPS in 2024

- **Invest over $20 billion in capital over the next 10 years**...
  - ... To ensure water quality and infrastructure growth

- **Top leader in the utility sector**...
  - ... Combined EPS + dividend growth delivers superior total shareholder return
Investment Thesis
Why Invest in American Water?

Clear, Transparent Story into the Future
- Decades of investment needed
- Line of sight to $20-$22 billion of 10-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
- Regulated risk profile representing 88% by 2024

Demonstrated Execution of Strategy
- Five year Total Shareholder Return (2013 – 2018) of 140%
- Long-term EPS growth expected in 7-10%* target EPS CAGR guidance through 2024
- 2018 adjusted EPS near 9% growth
- “A” S&P credit rating reduces our cost of capital
- 24% improvement in O&M efficiency ratio since 2010
- Focus on capital efficiency

Commitment to Shareholders
- Five year dividend growth (2013-2018) CAGR of 10%
- 2020-2024 Dividend Growth at high end of 7-10% range**
- 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 2018 Adjusted EPS (a non-GAAP measure) - See appendix for reconciliation  **Future dividends are subject to approval of the American Water Board of Directors
The Industry we Operate in…

American Society of Civil Engineers Grades US Infrastructure

Waste Water Report Card
2017 Grade D+

Not American Water pipes

Drinking Water Report Card
2017 Grade D

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

≈5,900 Regulated Employees

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
**Growth Triangle anchored on multi decades of investment needs**

**2020-2024 Plan**
7-10%* EPS CAGR range

- **Market Based Businesses**
  - 1-2%

- **Regulated Acquisitions**
  - 1-2%

- **Regulated Investment CAPEX**
  - 5-7%

Industry leading growth with **regulated risk profile** supported by capital light Market-Based Businesses

*Anchored off of 2018 Adjusted EPS (a non-GAAP measure)
Focus on Financing

Proceeds from New York American and Keystone Transactions

Plan Assumes Issuance $500 million in equity

Supports additional regulated capital Investment
Regulated Contribution Increases from Previous Plan

- **Previous 5-year Plan 2023**
  - Market-based: 86%
  - Regulated: 14%

- **New 5-year Plan 2024**
  - Market-based: 12%
  - Regulated: 88%
Our Stable and Predictable Capital Plan Supports Rate Base Growth

Capital Plan $ in billions
$8.8 – $9.4

$0.6 – $1.2

$8.2

Regulated System Investments

Regulated Acquisitions

Rate Base Acceleration*

≈7-8%**

Rate base CAGR

Multi decade long need for infrastructure investment

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

**Anchored off of 2018 rate base
Our Investments Ensure Safe, Reliable, Affordable Water & Wastewater Services for our Customers

Customer Affordability

- $226
- $95

Capital Plan

$8.8 – $9.4

$0.6 – $1.2
Regulated Acquisitions

$8.2
Regulated System Investments

2020 - 2024

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

Customer Affordability

- AWK water & wastewater (Avg monthly bill)
- EPA Benchmark water & wastewater monthly bills*

2020 - 2024 Average Regulated Capital Expenditures by Purpose

- Infrastructure Renewal: 66%
- Resiliency: 4%
- Water Quality: 0%
- System Expansion: 8%
- Other: 8%
- Operational Efficiency, Technology & Innovation: 8%

Disciplined Focus on Expenses

Regulated O&M Efficiency Ratio*

- 2010: 46.1%
- 2012: 41.0%
- 2014: 39.1%
- 2016: 36.6%
- 2018: 35.6%
- 9/30/2019 LTM: 35.0%
- 2024 Target: 31.3%**

Adjusted O&M Expenses* ($ in millions)

- 2010: $966
- 2012: $980
- 2014: $943
- 2016: $948
- 2018: $1,015
- 9/30/2019 LTM: $1,016
- 2010-2019 LTM: 0.6% CAGR

* 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

*** Includes organic customer connections

While adding ≈450,000*** customer connections
2020-2024 Capital Plan
(average)

59%
Forward Test Years
(27%)

41%
Traditional Recovery

Infrastructure Surcharge
Mechanisms
(32%)

Timely Recovery through Regulatory Mechanisms
17 New Regulatory Mechanisms Across Our Footprint Since 2010

**Revenue Stability Mechanisms**
- CA
- IL
- NY

**Utility Plant Recovery Mechanisms**
- CA
- HI
- KY
- NY
- PA
- VA

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

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

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

**Consolidated Tariffs**
- CA
- MD
- VA
- IL
- NJ
- WV

As of 2010
As of 9/30/2019
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)

Water Utilities
- Water
  - 16% Investor owned
  - 84% Public & other

Wastewater
- 2% Investor owned

Electric Utilities
- Water Utilities Source: EPA SDWIS Federal Reports Search
  - www3.epa.gov/enviro/facts/sdwis
- Electric Utilities Source: Form EIA-861 detailed data files
  - www.eia.gov/electricity/data/eia8

Natural Gas Utilities
  - Ghgdata.epa.gov/ghgp/main.do#
State Legislation Across our Footprint Enables Consolidation

Fair Market Value
8

CA NJ IA MD IN IL PA MO

Consolidated Tariff
12

CA MO IA NJ IL NY IN PA KY VA MD WV

Emerging: Water Quality Accountability Legislation
2

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

10,000 systems serving > 3,000 customers

Opportunities over 5 years ≈650,000 Customer Connections

Regulatory & Legislative climate

---

**American Water Acquisitions**

<table>
<thead>
<tr>
<th>(Customer Connections)</th>
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<tbody>
<tr>
<td>From 2015-2019</td>
</tr>
<tr>
<td>≈650,000 Customer Connections</td>
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* 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 21 closed systems as of December 31, 2019.

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**Closed & Pending Acquisitions by Year**

<table>
<thead>
<tr>
<th>Year</th>
<th>Closed</th>
<th>Pending</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>60,000</td>
<td></td>
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<tr>
<td>2018</td>
<td>80,000</td>
<td></td>
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<tr>
<td>2019</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>120,000</td>
<td></td>
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We Actively Pursue Acquisitions using a Disciplined Approach

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[Image: American Water logo and infographic]

21
Our Acquisition Strategy Delivers Steady Growth

**Signed & Pending*** ≈ 49,300 Customer Connections

- 29 Signed/Pending Acquisitions
  - CA: 6 IL: 10 NJ: 1 WV: 1
  - HI: 1 IN: 1 PA: 5
  - IA: 1 MO: 2 TN: 1

**2019 Closed*** ≈ 53,100** Customer Connections

- 21 acquisitions in 8 states
  - **Alton, IL**
    - Wastewater
    - ≈ 23,000 connections**
  - **Exeter, PA**
    - Wastewater
    - ≈ 9,000 connections
  - **Godfrey, IL**
    - Wastewater
    - ≈ 6,200 connections
  - **Lake Station, IN**
    - Water
    - ≈ 3,300 connections

* As of 12/31/2019
** This represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000

- **Godfrey, IL**
  - Wastewater
  - ≈ 6,200 connections

- **Lake Station, IN**
  - Water
  - ≈ 3,300 connections

- **Alton, IL**
  - Wastewater
  - ≈ 23,000 connections**

- **Exeter, PA**
  - Wastewater
  - ≈ 9,000 connections
Portfolio optimization leads to **capital light, cash flow positive business lines**

**HOS**
- 1.5 million customers with 3 million protection plan contracts
- Over 40 different partnerships with municipal water, gas and electric utilities
- Integration of Pivotal Home Solutions progressing well

**MSG**
- 16 bases in current footprint
- Opportunity for infrastructure upgrades on existing bases
Continued Strong Balance Sheet

S&P Utility Credit Rating (stable outlook)

- BBB (+/-) 12
- A- 11
- BB (+/-) 2
- A 2
- A+ 1

Moody’s Utility Credit Rating (stable outlook)

- Baa1 15
- Baa2 8
- A3 1
- A2 1
- Ba1 1
- Ba2 1

Debt to Total Capital

- $8.8 to $9.4 Billion 2020-2024 CapEx Range*

- 2019 E: 61%
- New 5-year Plan 2024: 59-60%

Consolidated debt maturity profile 5 years as of September 30, 2019

- $ in millions
  - 2020: $28
  - 2021: $310
  - 2022: $14
  - 2023: $159
  - 2024: $473

*Includes both long term and short term debt.
2015 2016 2017 2018 2019
$1.33  $1.47  $1.62  $1.78  $1.96

LTM September 30, 2018 LTM September 30, 2019

Adjusted Consolidated Return on Equity \(^{(a)}\)

9.9% 10.4%

Regulated Wt Avg authorized ROE is 9.8%

In Summary – AWK Creates ongoing Shareholder Value

Total Shareholder Return (Price + Dividend) as of 9/30/2019

<table>
<thead>
<tr>
<th></th>
<th>One Year</th>
<th>Three Year</th>
<th>Five Year</th>
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<tr>
<td>American Water</td>
<td>43.9%</td>
<td>76.3%</td>
<td>186.2%</td>
</tr>
<tr>
<td>UTY Index</td>
<td>27.6%</td>
<td>48.2%</td>
<td>84.8%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>4.3%</td>
<td>45.8%</td>
<td>67.2%</td>
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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.
ESG Focus
Our ESG Philosophy

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

Companies Do Well by Doing Good
**Energy Use**

- **GHG emissions**: Goal of reducing 40% by 2025 from 2007 baseline, after achieving approximately 31% reduction through 2018
- **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 10-year $20.0 billion to $22.0 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
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 10/2019**:
  - 7,610,976 views
  - 87,058 fans
  - 32,076 followers
  - 17,911 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

"S": Social Responsibility

- **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

- **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 10/2019**:
  - 7,610,976 views
  - 87,058 fans
  - 32,076 followers
  - 17,911 followers

- **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
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 awards grants to local firefighters to support the safety of local communities

Environmental Business Journal Recognizes American Water for Business Achievement

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

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

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

American Water earns 2019 Military Friendly® Bronze Employer designation

American Water earns 2020 Military Friendly® Spouse Employer designation

West Virginia American Water’s Kanawha Valley Plant Wins 1st Place in the WV-AWWA 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

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

American Water earns 2020 Military Friendly® Spouse Employer designation
Certain statements in this presentation including, without limitation, dividend growth guidance; the outcome of pending or future acquisition activity; the size and timing of any future equity offerings by the Company to support its capital expenditures; the amount of proceeds to be received by the Company from its previously announced sale of New York American Water Company, Inc. and Keystone Clearwater Solutions, LLC; 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 the Company’s projected rate base, growth, results of operations and financial condition; the projected growth and size of the regulated businesses; the potential growth, size, income and cash flows of the market-based businesses (individually or in the aggregate); the ability to capitalize on existing or future utility privatization opportunities; the Company’s projected regulated operation and maintenance efficiency ratio; macro trends, including with respect to the Company’s efforts related to customer, technology and work execution; the Company’s ability to execute its 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 management’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, and subsequent filings with the SEC, including the Company’s Form 10-Q for the quarter ended September 30, 2019, as filed with the SEC on October 30, 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 and dispositions, 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 implementation and litigation of similar governmental regulations, investigations, or actions; the Company’s ability to control operating expenses and to achieve efficiencies in its operations; the Company’s ability to successfully meet growth projections for its businesses and capitalize on growth opportunities, including its 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 the Company’s market-based businesses, and realize anticipated benefits and synergies from new acquisitions; the Company’s ability to complete its previously announced sale of its New York utility subsidiary, or the timing of such closing; the Company’s exposure to liabilities related to environmental laws and similar matters; the use by municipalities and private landowners of the power of eminent domain or other similar authority against one or more of the Company’s utility subsidiaries; the Company’s access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; and changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the TCJA, the availability of tax credits and tax abatement programs, and the Company’s ability to utilize its 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 the Company’s 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. The Company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.
This presentation includes adjusted regulated segment O&M efficiency ratios, both historical and forward-looking, which, in addition to the pro forma adjustment for the impact of the Tax Cuts and Jobs Act (the “TCJA”), excludes from its calculation (i) estimated purchased water revenues and purchased water expenses, (ii) the impact of the Freedom Industries chemical spill in 2014 and certain related settlement activities recognized in 2016, 2018 and 2019, (iii) the estimated impact in 2012 and 2014 of weather, and (iv) the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. Also, an alternative presentation of this ratio has been provided for each of 2010, 2012, 2014 and 2016 which includes the pro forma adjustment for the impact of the TCJA and includes for 2012, 2014 and 2016 the impact of the Company’s implementation of Accounting Standards Update 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018. These adjusted O&M efficiency ratios constitute “non-GAAP financial measures” under SEC rules. These ratios are derived from the Company’s consolidated financial information but are not presented in its consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with the Company’s GAAP disclosures but should not be considered an alternative to the GAAP measures. Management believes that the presentation of the Company’s adjusted O&M efficiency ratios is useful to investors because it provides a means of evaluating the Company’s operating performance without giving effect to items that are not reflective of management’s ability to increase efficiency of the Company’s regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical and future performance, management relies, in part, on trends in the Company’s historical results and predictions of future results, exclusive of these items. The Company’s definition of these ratios may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use. Management is unable to present a reconciliation of adjustments to the components of the forward-looking O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from the most directly comparable GAAP financial measure.

Set forth in this appendix are tables that reconcile consolidated adjusted return on equity and each of the components of its historical O&M efficiency ratios to its most directly comparable GAAP financial measure.

All references throughout this presentation to EPS refer to diluted EPS attributable to common shareholders.
We are the **Largest and Most Geographically Diverse Water Utility in the United States**

### Regulated Customer Connections

**As of December 31, 2018**

<table>
<thead>
<tr>
<th>State</th>
<th>Connections (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania</td>
<td>725</td>
</tr>
<tr>
<td>New Jersey</td>
<td>697</td>
</tr>
<tr>
<td>Missouri</td>
<td>483</td>
</tr>
<tr>
<td>Illinois</td>
<td>321</td>
</tr>
<tr>
<td>Indiana</td>
<td>307</td>
</tr>
<tr>
<td>California</td>
<td>179</td>
</tr>
<tr>
<td>West Virginia</td>
<td>167</td>
</tr>
<tr>
<td>Other</td>
<td>503</td>
</tr>
</tbody>
</table>

### 2018 Regulated Revenues

<table>
<thead>
<tr>
<th>State</th>
<th>Revenues (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania</td>
<td>$689</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$723</td>
</tr>
<tr>
<td>Missouri</td>
<td>$319</td>
</tr>
<tr>
<td>Illinois</td>
<td>$297</td>
</tr>
<tr>
<td>Indiana</td>
<td>$219</td>
</tr>
<tr>
<td>California</td>
<td>$221</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$144</td>
</tr>
<tr>
<td>Other</td>
<td>$372</td>
</tr>
</tbody>
</table>

American Water customer connections mix – 94% water & 6% wastewater
Military Services Group – “Regulated like”

<table>
<thead>
<tr>
<th>Contract</th>
<th>State</th>
<th>Contract Years Remaining As of 9/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Sill</td>
<td>OK</td>
<td>34</td>
</tr>
<tr>
<td>Fort Leavenworth</td>
<td>KS</td>
<td>34</td>
</tr>
<tr>
<td>Fort Rucker</td>
<td>AL</td>
<td>34</td>
</tr>
<tr>
<td>Fort AP Hill</td>
<td>VA</td>
<td>38</td>
</tr>
<tr>
<td>Scott AFB</td>
<td>IL</td>
<td>38</td>
</tr>
<tr>
<td>Fort Hood</td>
<td>TX</td>
<td>39</td>
</tr>
<tr>
<td>Fort Polk</td>
<td>LA</td>
<td>39</td>
</tr>
<tr>
<td>Fort Belvoir</td>
<td>VA</td>
<td>40</td>
</tr>
<tr>
<td>Fort Meade</td>
<td>MD</td>
<td>41</td>
</tr>
<tr>
<td>Hill AFB</td>
<td>UT</td>
<td>45</td>
</tr>
<tr>
<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>
• 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 Equity 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
## Rate Base Calculation*

(*$ in millions*)

### Estimated Rate Base*

<table>
<thead>
<tr>
<th></th>
<th>As of 9/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Utility Plant</td>
<td>$18.0</td>
</tr>
<tr>
<td>Less</td>
<td></td>
</tr>
<tr>
<td>Advances for Construction</td>
<td>$0.2</td>
</tr>
<tr>
<td>CIAC – Contributions in Aid of Construction</td>
<td>$1.3</td>
</tr>
<tr>
<td>Net Deferred income taxes***</td>
<td>$3.2</td>
</tr>
<tr>
<td><strong>Total Estimated Rate Base</strong></td>
<td><strong>$13.2</strong></td>
</tr>
</tbody>
</table>

---

*An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes. Amounts may not sum due to rounding.

**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.

---

As of 12/31/2015: $10.0
As of 12/31/2016: $10.7
As of 12/31/2017: $11.7
As of 12/31/2018: $12.5
As of 9/30/2019: $13.2

≈7-8%**

Expected Rate base CAGR through 2024
Prudent Investment Drives Need for Rate Cases

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

\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.
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%
Rates Effective since January 1, 2020

<table>
<thead>
<tr>
<th>Infrastructure Charges</th>
<th>Date Effective</th>
<th>Annualized Revenue Increases Effective in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Virginia (DSIC)</td>
<td>1/1/2020</td>
<td>3</td>
</tr>
<tr>
<td>Pennsylvania (W-DSIC)</td>
<td>1/1/2020</td>
<td>9</td>
</tr>
<tr>
<td>Pennsylvania (WW-DSIC)</td>
<td>1/1/2020</td>
<td>1</td>
</tr>
<tr>
<td>Illinois (QIP)</td>
<td>1/1/2020</td>
<td>7</td>
</tr>
<tr>
<td>New Jersey (DSIC)</td>
<td>1/1/2020</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$30</strong></td>
</tr>
</tbody>
</table>
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.

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.

The requested increase is $87.8 million, which excludes $34.7 million from the DSIC.
## Regulatory Information

<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><strong>CALIFORNIA</strong></td>
<td>$498,135</td>
<td>9.20%</td>
<td>55.39%</td>
<td>1/1/2018(a)</td>
</tr>
<tr>
<td><strong>ILLINOIS</strong></td>
<td>$883,386</td>
<td>9.79%</td>
<td>49.80%</td>
<td>1/1/2017(a)</td>
</tr>
<tr>
<td><strong>INDIANA</strong></td>
<td>$1,061,192</td>
<td>9.80%</td>
<td>53.41%(c)</td>
<td>7/1/2019</td>
</tr>
<tr>
<td><strong>KENTUCKY</strong></td>
<td>$443,654</td>
<td>9.70%(e)</td>
<td>48.90%</td>
<td>6/28/2019</td>
</tr>
<tr>
<td><strong>MISSOURI</strong></td>
<td>$1,249,293(h)</td>
<td>10.00%(e)</td>
<td>52.80%(d)</td>
<td>5/28/2018</td>
</tr>
</tbody>
</table>

<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><strong>NEW JERSEY</strong></td>
<td>$2,950,471</td>
<td>9.60%</td>
<td>54.00%</td>
<td>10/29/2018(g)</td>
</tr>
<tr>
<td><strong>NEW YORK</strong></td>
<td>$275,463</td>
<td>9.10%</td>
<td>46.00%</td>
<td>6/1/2017</td>
</tr>
<tr>
<td><strong>PENNSYLVANIA</strong></td>
<td>$3,162,597(b)</td>
<td>10.00%(e)</td>
<td>53.75%(d)</td>
<td>1/1/2018(d)</td>
</tr>
<tr>
<td><strong>VIRGINIA</strong></td>
<td>$155,747</td>
<td>9.25%</td>
<td>46.09%</td>
<td>5/24/2017(f)</td>
</tr>
<tr>
<td><strong>WEST VIRGINIA</strong></td>
<td>$652,900(h)</td>
<td>9.75%</td>
<td>48.40%(h)</td>
<td>2/25/2019</td>
</tr>
</tbody>
</table>

*Rate Base stated in $000s

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

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

(c) 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.

(d) 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.

(e) Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

(f) Interim rates were effective June 15, 2018 and final rates effective October 29, 2018.

(g) 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 December 31, 2019

<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>4</td>
<td>500</td>
<td>29,700</td>
<td>30,200</td>
</tr>
<tr>
<td>Indiana</td>
<td>2</td>
<td>6,200</td>
<td>-</td>
<td>6,200</td>
</tr>
<tr>
<td>Kentucky</td>
<td>2</td>
<td>400</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>Missouri</td>
<td>5</td>
<td>-</td>
<td>200</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>5</td>
<td>2,700</td>
<td>10,400</td>
<td>13,100</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1</td>
<td>500</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
<td><strong>10,800</strong></td>
<td><strong>42,300</strong></td>
<td><strong>53,100</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
## Pending Acquisitions* as of December 31, 2019

<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>6</td>
<td>12,500</td>
<td>-</td>
<td>12,500</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>5,400</td>
<td>18,800</td>
<td>24,200</td>
</tr>
<tr>
<td>Indiana</td>
<td>1</td>
<td>-</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Missouri</td>
<td>2</td>
<td>-</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1</td>
<td>-</td>
<td>2,800</td>
<td>2,800</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>5</td>
<td>1,700</td>
<td>6,700</td>
<td>8,400</td>
</tr>
<tr>
<td>Tennessee</td>
<td>1</td>
<td>200</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1</td>
<td>300</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>20,200</strong></td>
<td><strong>29,100</strong></td>
<td><strong>49,300</strong></td>
</tr>
</tbody>
</table>

*Customer Connections are rounded
Recurring transactions typically included in our annual guidance, some of which can result in quarterly variability:

* Acquisition related expenses
* Compensation adjustments which are typically timing and driven by accounting standards
* Insurance expense variability primarily driven by claims activity
* Land sales within the regulated footprint
* Legal expense variability
* Tax adjustments which are largely timing in nature, driven by accounting standards
* Certain Regulatory outcomes that are not unusual or precedent setting

Five Year History of Adjustments, where material, to GAAP results for reporting purposes:

* Gain on Sale of a Business Line or Segment
* Impairments of a Business Line or Segment
* Legal settlements and associated activities
* Debt Extinguishments
* Material tax law changes

### Consolidated Adjusted EPS

<table>
<thead>
<tr>
<th></th>
<th>For the Nine Months Ended September 30,</th>
<th>For the Twelve Months Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share (GAAP):</td>
<td>$2.89</td>
<td>$3.15</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of portion of Contract Services Group contracts</td>
<td>-</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>-</td>
<td>0.02</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>-</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>-</td>
<td>0.31</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>-</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Net loss attributable to noncontrolling interest</td>
<td>-</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Net adjustment</td>
<td>-</td>
<td>0.22</td>
</tr>
<tr>
<td>Freedom Industries Settlement Activities</td>
<td>(0.02)</td>
<td>(0.11)</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>Net adjustments</td>
<td>(0.01)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Early Debt Extinguishment at Parent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income tax impact</td>
<td>-</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Net adjustments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impact of re-measurement from the TCJA</td>
<td>-</td>
<td>0.07</td>
</tr>
<tr>
<td>Total net adjustments</td>
<td>(0.01)</td>
<td>0.15</td>
</tr>
<tr>
<td>Adjusted diluted earnings per share (non-GAAP)</td>
<td>$2.88</td>
<td>$3.30</td>
</tr>
</tbody>
</table>
## Reconciliation Table: Adjusted Return on Equity

<table>
<thead>
<tr>
<th></th>
<th>LTM September 30, 2018</th>
<th>LTM September 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$454</td>
<td>$635</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom Industries activities</td>
<td>(20)</td>
<td>(4)</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Contract Services Gain on Sale</td>
<td>(14)</td>
<td>-</td>
</tr>
<tr>
<td>Tax Impact for items above</td>
<td>(6)</td>
<td>1</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>$593</strong></td>
<td><strong>$644</strong></td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>$5,860</td>
<td>$6,190</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom Industries activities</td>
<td>(20)</td>
<td>(4)</td>
</tr>
<tr>
<td>Keystone Impairment</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Contract Services Gain on Sale</td>
<td>(14)</td>
<td>-</td>
</tr>
<tr>
<td>Tax Impact for items above</td>
<td>(6)</td>
<td>1</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>$5,999</strong></td>
<td><strong>$6,199</strong></td>
</tr>
<tr>
<td><strong>Adjusted Return on Equity (a/b)</strong></td>
<td>9.9%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

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

(A Non-GAAP Unaudited Number)

<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>$1,526</td>
</tr>
<tr>
<td>Less: Operations and maintenance expense – Market Based Operations</td>
<td>257</td>
<td>256</td>
<td>289</td>
<td>372</td>
<td>362</td>
<td>398</td>
</tr>
<tr>
<td>Operations and maintenance expense – Other</td>
<td>(81)</td>
<td>(56)</td>
<td>(51)</td>
<td>(44)</td>
<td>(42)</td>
<td>(49)</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>$1,177</td>
</tr>
<tr>
<td>Less: Regulated purchased water expense</td>
<td>100</td>
<td>110</td>
<td>122</td>
<td>122</td>
<td>133</td>
<td>133</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>32</td>
</tr>
<tr>
<td>Impact of Freedom Industries activities</td>
<td>-</td>
<td>10</td>
<td>65</td>
<td>(20)</td>
<td>(4)</td>
<td>-</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>$1,016</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>$3,558</td>
</tr>
<tr>
<td>Less: Operating Revenues – Market Based Operations</td>
<td>295</td>
<td>307</td>
<td>355</td>
<td>451</td>
<td>476</td>
<td>540</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>$2,206</td>
<td>$2,564</td>
<td>$2,674</td>
<td>$2,871</td>
<td>$2,964</td>
<td>$3,040</td>
</tr>
<tr>
<td>Less: Regulated Purchased Water expense*</td>
<td>100</td>
<td>110</td>
<td>122</td>
<td>122</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td>Freedom Industries chemical spill in West Virginia</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<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>$2,106</td>
<td>$2,407</td>
<td>$2,570</td>
<td>$2,749</td>
<td>$2,851</td>
<td>$2,907</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>35.0%</td>
</tr>
</tbody>
</table>

### Notes

* 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